

ANALYTICAL/INFORMATION AGENCY



BUSINESS INCUBATORS IN RUSSIA:

CURRENT STATE & PROSPECTS

ASSESSMENT

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The present business incubator's assessment in Russian has been carried on by the Russian Analytical Agency "Missia - L" according to the request and with the financial support of USAID (Moscow).

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Executive summary

The main objectives of business incubator's assessment carried by the Analytical Agency were:

1. To analyse the business incubator's performance and their impact on the socio-economic development in Russia.
2. To define the «success stories» of the existing business incubators performance and the technology for replication of their experience.

The assessment of business incubators has allowed:

- to evaluate the situation with business incubators in Russia;
- to study their technical base, financial activity and the structure of the offered services;
- to analyse the work of the client firms established on the basis of business incubators;
- to determine the social impact of business incubators;
- to describe the interaction between business incubators and the authorities;
- to estimate the perspectives for business incubators development in Russia.

The assessment was conducted in three stages:

Stage 1: identification of data collection methods, gathering of primary information and specification of the research strategy.

Stage 2: research of business incubators performance as well as of client companies.

Stage 3: data analysis and assessment of collected information, elaboration of conclusions and recommendations.

The following methods were being applied for the information collection and analysis: interviewing and expert evaluation, formal interview, participant

observation, marketing research, content-analysis of documentation, financial analysis and inventory analysis of technical base.

During the research:

- twenty-nine employees from business incubators participated in the telephone interviews,
- twenty six professionals in the area of economy, administration, finances and the state support for a small-scale business went through the expert evaluation
- sixty seven employees from the client companies were the subject of marketing research.
- twelve business incubators, including four business financially supported by USADI, were the target of the complex research,

THE CHAPTER 1 provided the retrospective overview of incubators development in Russia and abroad as one of the most effective form of support for a small-scale entrepreneurship. The first business incubators in Russia were established at the beginning of 1991. The majority of Russian business incubators were established on the basis of the scientific research centres and military industrial complexes. Their specific features were the small size of capital assets, insufficient professional training of business incubator's management and the flexible model of functioning which takes into account the socio-economic conditions.

The present assessment allowed to determine the main types of business incubators in Russia according to the type of the small- scale entrepreneurship they support:

- vocational training - for the future entrepreneurs;
- industrial - to support the industrial companies;
- new technology - to support the introduction of new technologies, innovations, etc.;
- specially oriented - to support the companies/firms of one industry or companies/firms established for the certain groups of the population.

Business incubators could be either of the classical type when they are lending the buildings and equipment or of the virtual type - without lending the buildings.

The Federal Programme of the state support for the small-scale entrepreneurship in the Russian Federation for 1996-1997 defined business incubators as the main element within the infrastructure assigned to support and facilitate the development of a small - scale entrepreneurship.

Business incubator - is a juridical entity that dispose of the necessary productive, financial, technical and intellectual resources that might be offered to the entrepreneurs on favourable terms so that they can start their own business.

THE CHAPTER 2 focused on the legal and organisational structure of business incubators.

The Civil Code of Russian Federation, the Russian company laws regarding the limited companies, joint-stock companies, non-commercial organisations and other

legal acts regulate the different types of the legal and administrative structure of business incubators.

The choice of certain type of the legal and organisational structure of business incubator is determined by the external and internal conditions. The external conditions, include the cost and the length of the registration period, the level of support among the local administration, the presence of the outside investors. The internal conditions might include the performance goals set for business incubator. the number of the participants, the availability of financial resources,

Another crucially important factor that has influenced the choice of the legal and administrative structure is the possibility to get maximum tax privileges that are granted to the various types of activities (training, scientific research, etc.), as well as the privileges that are given during the registration of a small-scale enterprises or enterprises established by retired or disabled persons.

THE CHAPTER 3 considered the administrative and financial structure of business incubators. It described the financial status of business incubators reflected in the accounting information about their financial activities and current financial situation, the status of the technical base, the staff schedule and job descriptions, the selection criteria for personnel, approaches to the team building.

The research has revealed that the efficient performance of business incubator was influenced by the local regional characteristics, priorities in their activities and the structure of the offered services.

However, all business incubators while establishing the administrative and financial structure were obliged to:

- development and upgrade the technical base;
- maintain the high level of professional skills among the staff and ensure the strong incentives to achieve the set goals;
- organise a harmonious team work.

The successful fulfilment of the above mentioned assignments depends on the growth of income that could be achieved through the rational utilisation of internal resources and the increase in the number of the potential clients attracted to the wide range of services to be offered by business incubators.

THE CHAPTER 4 described the main forms of business incubators activities: leasing of the buildings, office services, consulting services, training, financial support of the small-scale entrepreneurship.

The present assessment has revealed the importance and advantage of the flexible structure of the offered services over the rigid one. Such structure of services should meet the clients needs and reflect the fluctuation of external environment. The level of the technical base development including the availability of modern office equipment as well as production and storage areas, and the high professional level of the employees also directly affect the quality and quantity of delivered services. The

availability of credit programmes developed by business incubators for their clients was noted as a factor that substantially increased the efficiency of delivered services.

THE CHAPTER 5 focused on the support policies for the client companies. The selection and interaction procedures with the clients have been analysed on the basis of the selection criteria for the client companies,

The main selection criteria for the client companies include the following: the level of commercial survival, the level of professional and entrepreneurial skills of the team, the potential to create the new working places, the main directions of the company's activities and degree of financial independence. Additional criteria are: the protection degree of intellectual property, the management.

The selection criteria applied to the client companies and the complex procedure of their acceptance into business incubators have allowed to maintain and preserve the existing corporate culture within business incubators and to transfer it to the clients. As a result of this policy, business incubators managed to create their unique image that is becoming familiar to the population of the town, region and attracts the new clients.

THE CHAPTER 6 described the interaction of business incubators with the regional administration. It analysed the role of business incubators in the development of the local economy and their impact on the social sphere.

The assessment has revealed that business incubators in Russia might find themselves: in favourable conditions, unfavourable conditions, neutral ones. The factors that define these conditions are the following: the relationship between the local administration and business incubators; the relationship between the local commercial banks and business incubators; the industrial priorities of the region; the degree of financial independence of the region; the presence of the support groups in favour of business incubators.

The wide network of business incubators has facilitated the growth of a small-scale entrepreneurship in the regions. Thus, it has increased GNP and local budget returns, developed the consumer market, facilitated the introduction of new technologies, and the growth of economic efficiency.

The success performance of business incubators positively affects the social sphere. For instance, it enhances the population adjustment to the new market conditions, provides the growth of employment, including for the vulnerable groups, creates the equal opportunities for men and women to establish their own business, increases the level of vocational training and improves the professional orientation of the youth.

THE CHAPTER 7 discussed the approaches to increase the efficient performance of business in Russian Federation and the possible forms of interactions among them.

Unfortunately, the relatively short history of business incubators performance in Russia has not allowed to reveal their potential in full. However, the achieved results testify in favour of their further development as they have become the

most efficient support system for a small-scale entrepreneurship. We are witnessing the constant growth of business incubators in Russia, today their number has exceeded fifty.

In order to promote the state support of a small-scale business there is a need to identify precisely the general principles, forms and areas of such state support as well as to enhance the legal framework for business incubators performance, create conditions that will attract more investments into a small-scale business and establish the pool of office buildings.

THE LAST SECTION of the business incubator's assessment contained valuable conclusions and recommendations concerning the comprehensive development of business incubators in Russia.

The present assessment of business incubator's performance has confirmed their efficiency in the support of a small-scale entrepreneurship and the need for a serious attention to their development from the state and future investors.

The period of their performance directly affects the number of client firms; business incubators that have been operating for more than two years have on average about twenty clients, those that have been working for more than five years - have at about sixty client firms. In addition, the small-scale enterprises that have received support from business incubators, proved their efficiency in the rigid economic conditions. This fact was also confirmed by the first performance results of the firms that completed the business incubator's programme.

Business incubators are the main element of a small-scale support infrastructure. That's why business incubators need to considerably expand their interactions with the other entrepreneurial structures as well as among themselves.

The expansion of the horizontal links and the strengthening of business incubator's network would allow to establish the common information service that will regular update the data base on business incubators, including data on their performance, structure, working standards, human resources, new projects, etc.

The collaboration among business incubator's would allow to improve their own performance through providing the higher quality of services to their clients, expanding the structure of the offered services and increasing their effectiveness at the account of merging their resources, The close interaction among business incubators also opens space for the other forms of collaboration.

THE APPENDIXES contained information about the existing business incubators in Russia, the list of main company laws that regulate their performance, the samples of the documents for client companies, questionnaires elaborated for this research.

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Our research paper gives an overview of business incubators (BIs) in Russia, i.e. development in retrospect, current state, legal status, relations with tenant companies, basic lines of activity, possibilities for creating a more perfect BI's model as a way to support small business.

The end results, we believe, can be of use to federal, regional, and local governments involved in developing and aiding small businesses, as well as to the directors of enterprises, Technoparks, and BIs, let alone new managers, specialists working at small enterprises, and potential investors.

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INTRODUCTION

The goal of Analytical Information Mission-L's project, carried out in accordance with USAID order:

- assessment of the activities of BIs in Russia and their impact on regional socioeconomic development;
- identification of best practices of BIs in Russia and technologies for further replication of successfully tested incubator models;

Our research has helped solve the following tasks:

- general analysis of BIs' current state;
- study of material resources, financial assessment;
- analysis of types of services and facilities offered;
- analysis of tenant companies' performance;
- BIs' social impact and their relationship to government bodies;
- evaluation of prospects for BIs' development in Russia.

A detailed report, based on research findings, has been compiled on the BIs in Russia, with recommendations on strategy and technology of BIs' development and advertisement to make possible further improvements considering Russian specificity in general and that of constituent regions in particular.

Research has been carried out on a stage-by-stage basis:

Stage 1. Identifying methods for information gathering, initial data included, and specifying research strategy.

Stage 2. Study of BIs and tenant companies' performance record.

Stage 3 . Analysis of findings and making reports.

Work progress

The first two weeks (Stage 1.) were devoted to information gathering on BIs in Russia, in line with the strategic outline as defined in our technical proposal.

Initial information included the following:

- finding where a BI is located, getting its contact phone numbers;
- clarifying organizational aspects;
- assessment of their business priorities;
- study of a sample BI and its tenant companies.

The first stage has helped us define and test the following methodology: questionnaire distribution, experts' polls, formalized interviews, monitoring, marketing assessment, content analysis of relevant documentation, financial analysis, and taking inventory of material resources.

The next four weeks (Stage 2.) were taken up with complex studies of Russia's BIs, as well as their tenant companies, the latter based on the methodology tested during Stage 1. and focusing on:

- market orientation of BI's clients;
- their marketing activities;
- companies' personnel: who those people are, educational level, opportunities for updating professional skills;
- corporate culture;
- changes in the number of tenant graduates.

Stage 2 also included study of social impact made by BIs and their relationship with

the executive branch.

During the final two weeks (Stage 3.) the information collected earlier was thoroughly analyzed to be included in a report on the initial and final diagnostics. Recommendations were worked out to push forward the strategy and technology of developing and advertising BIs with an eye to socioeconomic regional specifics.

The research encompassed:

- 14 BIs appraised on a wide range of issues;
- 67 small enterprises appraised on marketing policies;
- 29 BI employees called on the phone;
- 26 economics/administration/finance specialists polled by experts to search their views on support for, and development of, small business in Russia.

Our findings were included in the report On current situation with, and development of, BIs in Russia.

Chapter 1. assesses the experience gained by BIs both abroad and in Russia, as well as problems involved in promoting small business. It also deals with their economic impact as one of the channels for small enterprise support. The chapter contains various BI classifications.

Chapter 2. deals with organization of incubators and their legal status, as well as the legal foundation which enables them to function: taxes and tax preferences, legislative support for small business, incubators' organizational and legal forms, legal models of relationships between BIs and their tenants.

Chapter 3. elaborates on the administrative/financial picture of BI activities, as well as on their current logistics. The section dealing with BI administration and personnel structures takes a close look at such things as a job description, principles and procedures of selecting BI personnel with an eye to forming a well-knit team to enable that institution to fulfil its function.

Chapter 4. gives an in-depth description of BI lines of activity, i.e. such financing components as leasing of premises, types of office and consulting services, training facilities, and financial services.

Chapter 5. elaborates on forms and methods of supporting tenant companies, criteria & procedures for their selection, relationship patterns, as well as possible interaction with graduate tenants.

Chapter 6. presents the results of our studies on interaction between BIs and regional governments, as well as the incubators' impact on regional socioeconomic life.

Chapter 7. describes ways and means of creating better BI models under present Russian conditions, as well as types of inter-BI cooperation.

In Conclusion recommendations are given on organization and development of BIs in today's Russia.

The Appendices contain information on the existing incubators in Russia, as well as a list of legislative acts related to BIs, and samples of official papers used in dealing with BI tenant companies, questionnaires elaborated for this research.

Chapter 1.

BUSINESS INCUBATORS VIS-A-VIS THE INFRASTRUCTURE OF SMALL BUSINESS SUPPORT

A BI may be defined as an organizational/legal structure whose main goal is creating a favorable environment to help in the initial stages of a small enterprise, i.e. render various services on easy terms (leasing, training, consulting, office service, etc.)

Federal program of small business state support for the Russian Federation (1996-1997) views BIs as one of the substantive elements of the infrastructure of small business support playing an important role in a number of developed countries with market economy.

1.1. BIs abroad - foreign experience.

Industrially developed countries have proven how efficient BIs may be in supporting small business. First BIs appeared in the US way back in 1959, with the unemployed opening small businesses of their own on vacated industrial premises. There were nearly as many as 70 BIs throughout the world in 1985, their number jumping up to 470 in 1992, and totalling over 1,000 at the present time (See Innovation management, ed. by V.N. Archangelskty, Moscow: 1997.)

The first BIs were created in the US to train entrepreneurs. As time moved on, their role also began to include creating new jobs, i.e. acquired a social dimension.

According to Small Business Incubator Hand Book: A Guide for start-up and management.- Washington D.C.: Office of Private Sector Initiatives, SBA/ March, 1986, p. 3-4 / a BI is described as a “building which may house several small enterprises, the rent they pay slightly lower than the average market rate. A BI provides general-use equipment, office and administrative services, mail receipt and dispatch, leasing conference rooms, computers, etc.”

There is no cut and dried definition of a BI in the world yet, but a list of formal criteria makes it next to impossible to distinguish a BI from any other structure of small business support. In France, for example, small incubators, with fixed assets totalling from one to three mln dollars, and funded mainly by the state are considered preferable. In the US bigger ones, with fixed assets in the region of \$10-15 mln., are the usual thing, funded not only by the Federal state, but banks, leading industrial companies, and universities.

Ambiguous criteria for defining a BI may be due to lack of cut and dried methodology as to how BIs should be set up. Besides, there are far too many channels for small business support with the same structure, goals, tasks, lines of activity, etc. but with different titles, such as technoparks, innovation/technology or business centers, funds, associations, and so forth.

What all BIs have in common, however, is their mission to support and develop small business. Among the services they render are leasing of premises/equipment, office/administrative services/facilities, as well as financial/material support of small enterprises.

Whether a BI is efficient or not depends on its ability to get adjusted to differing conditions in a given country, render the kind of services its tenant may need,

replicate ideas and concrete experience.

1.2. BIs in Russia.

The collapse of the former Soviet Union has brought about a collapse of centralized supplies system. National economy getting liberalized effectively meant loss of permanent suppliers and clients in other regions and republics by most of Russia's enterprises. In addition, they now face serious competition from imported goods.

The management naturally lacked experience and knowledge of operating in a market economy. Hence such problems as insolvency on the part of major clients; inertia which is typical of any large-scale enterprise; inability to make large investments, during high inflation, in updating industrial equipment to turn out new competitive products, etc. It was only logical therefore that many gigantic incompetent enterprises should start breaking up into smaller units which in turn should become separate small enterprises set up by the highly professional former giants' employees.

Small business, however, is extremely vulnerable. Statistically, cir 80% of small enterprises cease to exist already in their first year. Young entrepreneurs sorely lack working capital and working experience. Besides, most of those 'small' businessmen work all by themselves or have very few helpers unable to do any real marketing, turn out and sell their products, keep accounting at the proper level, and work with clients. Many of those small enterprises today are nothing but semi-amateurish shops with quite primitive equipment, unable of course to tackle complex production matters, introduce new technology, and be economically sustainable.

It is therefore extremely important in today's Russia to devise relevant forms and methods in support of small business.

Our own marketing research enables us to find the most typical obstacles beginning businessmen come up against:

- the country's political instability;
- economic instability;
- imperfect Russian laws;
- imperfect taxation;
- criminal racket;
- growing red tape;
- difficulties with borrowing money;
- lack of entrepreneurship skills and business culture;
- partners' failure to honor terms of contract;
- lack of information on existing programs to support small business;
- rivalry.

A recently approved RF Government's Federal complex program in support of small business for the 1998-1999 period (#697, of July 3, 1998) calls for developing an infrastructure for small-enterprise support, a special financial credit policy, tax privileges, aid in obtaining bank loans, etc. Both governmental and nongovernmental structures have been set up, as well as NGOs to train competent future entrepreneurs, provide consulting and information support, help obtain credits, and attract investments. The BI is one of the basic elements of the above structure.

Russia's first BIs appeared in the early '90s. The experience gained over the years

makes it possible to suggest they should play an ever increasing role in the country.

The results of a recent poll conducted among some of Russia's leading economists (A. Ioffe, chair, Public experts' council on small business at Moscow's mayoralty & city government; V.I. Vassiletz, counsel to president, Association of financial/industrial groups; Yu.S. Matveev, prorektor, International banking institute, St. Petersburg; etc.) show BIs are in a position to help combine the efforts and potentialities of state institutions, commercial firms, funds, and ambitious independent entrepreneurs for developing small business in Russia.

Novosibirsk Innovation/technology Ctr may be a good example of such joint efforts, its goal being support for, and stimulation of, innovation activities by small enterprises both in scientific/technological and production fields.

The Ctr's founders are: Fund for helping small enterprises in science and technology; nonprofit partners' Innovation agency; Novosibirsk Oblast's Fund on promoting science & higher education; and Executive directorate of Novosibirsk scientific technopark (a state science institution).

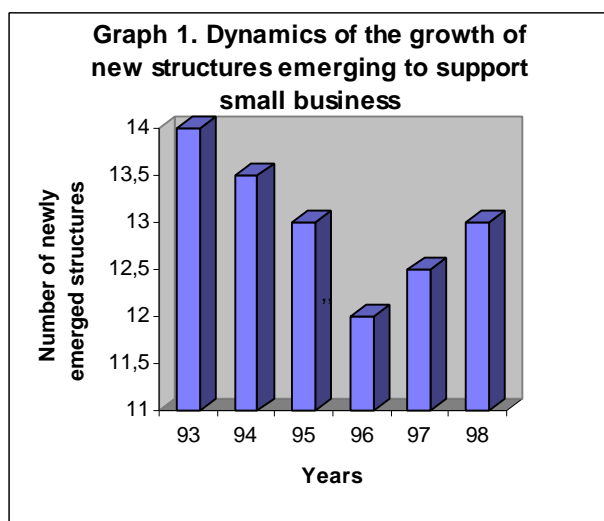
At present as many as almost 40 small tenant companies, specializing in various fields of production, science, and technology, are using Novosibirsk ITC's office and production space. They are offered state-of-the-art office equipment, copiers, telephones, faxes, and possible access to Internet.

One can hardly say Russia lacks any experience of setting up such structures as BIs and technoparks. There were quite a few big regional scientifically developed centers with so-called science townships in the former Soviet Union. Their goal was twofold: develop science and also train highly qualified personnel for work in industry. There some experimental labs were created (such as the one in Dubna's science township.)

This experience does not seem to have been totally wasted, what with Russia's first BIs set up mainly to sell the results of the scientific/research findings and support the innovative small enterprises working in the field of science and technology. It is no coincidence, either, that big universities could be seen, as a rule, among their founders.

Some five years ago first business incubators, unrelated to the scientific/technological field, began to appear. Their goal was to promote entrepreneurship per se.

The following bar graph may best illustrate the dynamics of the growth of new structures emerging to support small business:



At the same time the number of small general-type commercial enterprises went up almost 20 times over 1991-1994; growth in the field of science and scientific services was 8.5 times; the figure for trade and public nutrition equaled 3.4, and in construction the increase was twofold (B.K. Zlobin, Yu.M. Zatzepin, Investment support of small business. Moscow, 1998.)

Intensive growth was due to Russia's economic/political situation over that period, i.e. privatization of state-run enterprises; conversion of the military/industrial complex-related industry; liberalization of prices; and soaring inflation.

It was also the time when first legislation was adopted to support and develop small business at both nationwide and regional levels.

Small wonder, numerous BIs sprang up under those hope-breeding conditions in 1991. The following year, however, their growth began to slow down as experience of running such institutions, it turned out, was sorely lacking, aggravated by nonavailability of sufficiently trained managers, as well as lack of concern on the part of the state. Besides, an attempt to copy BI models in other countries without their being modified for Russian conditions proved an abortive one.

By 1993 the situation started to change gradually. Potential investors were not unaware of the efforts made by the state to have laws encouraging small business passed, relevant infrastructure created, and support mechanisms introduced, BIs included. There was a noticeable increase of investments in BIs from both domestic and foreign sources.

In 1993 the number of newly created BIs reached its climax, but then started to slow down again next year and has continued to do so to date, which reflects the situation with Russia's small business in general. The truth is that no growth in the number of small enterprises has been officially recorded over the past two years, either federally or regionally. Moreover, statistics in fact confirm a downward tendency, with a considerable proportion of small enterprises in some regions shut down immediately after registration, without as much as making even a few steps on their own along the chosen path of activity. That may be put down to a poorly developed support infrastructure, frequent changes in tax laws, etc.

At the same time there is a growing realization that BIs are vital in supporting small business, being a kind of guarantee of small business 'survivability' in view of their appeal to entrepreneurs who are able to focus on their business, get tax exemption (in some regions), and acquire the necessary experience -- and resources -- to work with sufficient efficiency. It is for this reason that regional small business support programs for 1998-2000 pay such attention to creating BIs.

1.3. BIs categorized.

They may be categorized in several ways, including the following:

- priority goals;
- differences in structural/functional characteristics;
- types of business activity;
- specialized field of activity;
- direction in small business support.

According to P. Hannon (Durham university's business school, Great Britain) five

groups of BIs may be singled out:

1. Local public (nonprofit) organizations taking upon themselves the functions of a BI. Their role is to support the development of small business, with main emphasis on solving specific local problems.
2. BIs focused on creating new jobs either at existing enterprises or newly created ones.
3. BIs focused on supporting socially vulnerable groups of people.
4. BIs leasing premises and rendering various services to their clients on certain terms defined by them. (Similar to business ctr.)
5. Innovation (technology) incubators supporting small innovation firms engaged in developing innovation technologies and products.

S.G. Polyakov, Moscow State University (MGU) Science technopark's director general, and M.V. Rychev, Zelenograd technopark's director, single out three BI types according to their structure/functions:

1. Innovation/technology BI - set up on the basis of high-tech, science-oriented production, relying on the scientific potential of scientific research institutes, universities, and science/production centers. Former scientists and professors from higher schools turn entrepreneurs who, as a rule, sorely need entrepreneurial training.
2. BIs targeted on supporting production firms, mainly oriented towards producing mass consumption goods and rendering services to the local population.
3. Regional BIs, basically trying to solve local social issues, as well as training would-be entrepreneurs from among ex-servicemen, migrants, women, etc.

Depending on the way BIs conduct their business, they are subdivided into commercial (self-financed or profit-oriented) and nonprofit, i.e. relying on outside funding (grants, budget appropriations.)

As to their range of activities, all BIs may be broken down into multidirectional and narrowly specialized ones.

We have shown that Russian BIs are mostly active in several directions in accordance with regional specificities. That enables us to conclude quite positively there exists a 'mixed' rather than pure BI model in the country.

Taking BI priorities into account one may speak of the following BIs:

- educational, i.e. specializing in training would-be entrepreneurs;
- productional, i.e. helping production companies;
- innovation/technology, i.e. supporting small business in the field of science-oriented high-tech, innovation, etc.;
- specialized, i.e. working either with companies belonging to one particular branch (apparel) or oriented towards a given stratum of the population (i. e. youth).

Our research has also established that BIs in Russia can be divided into two classes depending on whether or not they have space to be leased: so-called virtual, i. e. without premises for leasing, and classic, i. e. leasing/subleasing space to tenant companies.

As for the former, virtual BIs are created mainly to help develop small and medium technology business, with scientists and specialists continuing to stay at their usual

workplace.

International technology incubator (ITI) was set up in Moscow in 1994 (joint Russo-American program funded by USAID) at the Russian Federation Government's Academy of national economy. This BI doesn't house the starting tenant companies - they are said in Russian to be "without walls".

Such structure helped start the joint program, minimize investments, 'hatch' projects originating in many Russian regions, preserve the existing links between project authors, on the one hand, and their mother institutions and scientific milieu, on the other, up till the moment a joint decision might be taken to form a new company. Furthermore, it allowed to use synergies of being in an incubator with its portfolio of diversified projects.

Virtual BIs, we have established, may become widespread in the near future due to their relatively low costs, an important factor under present Russian conditions.

Classic BIs, it turned out, are being set up mainly to select marketable projects and develop small production companies under one roof, helping them organizationally, financially, and technically during their formative stages.

A BI in Udmurtia may be a good example of the latter. It was set up on the initiative of Udmurtian State Fund in support of small business, Izhevsk Administration, and Izhevsk University's scientific council. It has financial/accounting, marketing, advertising, legal, and engineering services to offer its tenants on mutually agreeable terms. The BI is able to pay some of the tenants' current costs (up to 30%) at its own expense, while keeping an eye on their finances and performance. The tenants graduate after reaching full economic independence, provided it doesn't take more than two years. A client company may also leave the incubator ahead of time without attaining positive results. As for its most successful tenants, this BI may serve as a guarantor vis-a-vis the investors, including

the Udmurtian State Fund in support of small business, to help them obtain credit resources.

The 'hatching' process for a small enterprise, as practiced by the Izhevsk BI, goes on stage by stage.

Stage 1 (2.5-3 mos) consists of:

- competitive selection by an experts' council of entrepreneurs with business ideas, for initial training: those enrolled receive the official status of student;
- training program (360 hrs) of Entrepreneurial Practical Basics, with theoretical knowledge necessary for making individual business plans;
- working out business plans for implementation of entrepreneurial ideas going side by side with learning the basics of entrepreneurship;
- final selection of projects based on presentation of business plans;
- creation of a working group of 8-10 students who have passed a contest to move on to the BI's second grade.

Stage 2 (3-5 mos):

- aiding a company in registration of a legal entity (in case it's needed);
- finalizing a contract to regulate BI-tenant relationship. That will provide a legal basis for the BI to keep the property handed down to tenants under its control. The tenant will meanwhile get office services, as well as consulting on such matters as accounting, economic management, legal aspects, marketing, etc.;
- study of the market situation and definition of marketing policies;
- working out a tenant support program: types, terms, and amounts of aid provided; help in finding investors.

Stage 3 (5.5-13 mos): maturity (market adaptation), independent entrepreneurial activity.

This stage has as its final goal the kind of performance planned in the course of training, i. e. reaching

financial stability and business independence. The new entrepreneur should be able to keep actual expenditures under his/her control within the limits planned earlier, promote product sales, create a system of management. The new enterprise, in other words, should firmly stand on its feet.

Stage 4 (1-3 mos): tenant graduation from the BI.

BI's clients, who have successfully completed stage 3 and achieved the expected results, are gradually taken out of the incubator to begin an independent business life and make good the BI's expenditures that helped them get on their own feet. Simultaneously, all leased/rented property is being returned. To decide if a tenant has reached maturity (i.e. financial stability and independence) is up to the BI's experts' council.

Following a tenant's graduation further relationship with the BI is construed on a contract basis.

The following conclusion can thus be arrived at: a BI is a legal entity with the necessary material sources, financial and intellectual resources, and production capacities offered entrepreneurs on easy terms as a starting base to begin an independent business life. BI's main goal is to create conditions conducive to successful development of small enterprises starting their own business life. This goal is achieved by 'protecting' them from adverse environment, rendering aid to start a new business and providing consultations needed in legal, financial, and organizational matters.

Chapter 2.

ORGANIZATION AND LEGAL STRUCTURE

The creation and activities of BIs in Russia are taking place within the legal norms established by the country's laws. The organization and legal structure in each individual case is determined by the conditions prevailing at the time of creating the incubator and the tasks its founders may put forward.

2.1. Legal basis for BI's activities.

A BI, as defined by the RF Civil Code, has to be a legal entity to carry out its functions as an organization.

There is now a whole system of laws and regulations defining the status of a legal entity. The RF Civil Code plays the key role inside that system, forming the basis for two groups of federal laws (Appendix #4.)

The first group consists of specialized laws on individual forms or types of legal entities. They deal with internal relationships of a given subject of entrepreneurial activity, such as procedure for institution, management and self-management, and structure of labor (Laws On stock companies, On nonprofit organizations, On limited liability company, Ltd, etc.)

The second group includes various laws reflecting the dynamics of legal entities' status (Laws On state support for small business, On insolvency (bankruptcy), On accounting, etc.)

The RF Civil Code calls for grouping all legal entities as either commercial or nonprofit organizations. The former's main goal is making a profit, whereas for the latter profit-making as such plays an auxiliary role, all profits spent on reaching social, educational, and other similar goals specified in the organization's charter.

There is a fixed list of organizational/legal forms for legal entities, as defined by the RF Civil code, but it may be supplemented by special laws in the case of nonprofit organizations (See Legal entities. Collected laws/ compiled by O.M. Kozyr, S.A. Denissov; Private law research Ctr. - Moscow: 1998, p. 4.)

Russia's commercial organizations at present may appear in one of seven forms, the most common being stock companies and limited liability companies.

BIs' legal status as commercial organizations is based on the RF Civil Code, RF laws On stock companies, On limited liability companies, as well as a number of normative acts.

As nonprofit entities, their legal status and the rights and responsibilities of participants are defined by the RF Civil Code and RF's law On nonprofit organizations.

The latter determines the procedure for their creating, functioning, and closing down as legal entities, as well as origin and use of property by nonprofit organizations; the

rights and responsibilities of their founders (participants); basic rules of management and possible types of support by state institutions and local self-governing bodies.

BIs as legal entities are to pay taxes according to the existing Russian laws.

Russia's taxation system has over 40 types of taxes, subdivided into:

- federal (including taxes on profits made by enterprises and organizations, VAT, taxes on enterprises' property, and land tax);
- republican, regional, oblast, and autonomous area taxes;
- local taxes.

BIs are entitled to various tax privileges according to their organizational/legal types.

Commercial BIs, registered as small enterprises, may have a share of their profits as tax-deductible. This concerns money going to finance capital investments for production purposes (construction, reconstruction, renewal of fixed assets, assimilation of new techniques and technologies, as well as repayment of bank loans received for the above purposes.) Also deductible are the profits made over a limited period of time and used to boost their own production.

Nonprofit BIs of educational and scientific nature may get, according to the RF law On nonprofit organizations, some tax privileges, as well as lower customs tariffs and preferences in payments of dues (or some other types of expenses) from the state and local self-government bodies. Existing laws also allow of some other privileges, such as being fully or partially exempt from paying for state/municipal property.

According to RF State tax service instruction On procedure for calculating and exacting of VAT/#39 of Oct. 11, 1995/:

“10. Tax exemption covers: i/financial (sponsorial) means directed towards funding nonprofit organizations not involved in business (entrepreneurial) activities and not having revenues from selling products other than written-off property, provided the above means are being taken care of by a special account and used for the goals specified, which is duly reported to tax authorities”.

While educational/scientific activity is registered and licensed (irrespective of the type of organization) BIs are given some tax privileges stipulated by Russian legislation for science and education.

State support for BIs is based on the RF Federal Law On state support for small business in the Russian Federation, the Federal program of State support for small business in the Russian Federation in 1998-1999, and the RF Federal law on nonprofit organizations.

Commercial BIs, classified as small businesses, are guaranteed by the RF Federal law On state support for small business the right to:

- preferential treatment as regards the use of state financial, material/technological, and informational resources, as well as scientific/technical findings and technologies;
- simplified procedure for registration and licensing, presenting statistical and balance reports to the state;
- support of its foreign-trade operations;
- execution of training and retraining of personnel at refresher courses.

Federal bodies in the executive branch, acting within their sphere of competence:

- work out proposals on improving existing Russian laws in the field of state support for BIs as small enterprises;

-come up with proposals relating to the above BIs on granting tax and other types of privileges, as well as on the use of federal RF budgetary and nonbudgetary specialized funds to support small business;

-help local administrations, responsible for Russian Federation's subjects, work out and implement measures in support of small business.

BIs as nonprofit organizations, in accordance with the RF Federal law On nonprofit organizations, are entitled to get from the federal government and local self-governments the following:

-tax and other privileges, including exemption from payment for use of state and municipal property;

-tax privileges for individuals and legal persons rendering material aid to nonprofit organizations;

-access to contests to obtain state and municipal social orders.

On the whole, it may be noted that enough legislation has been passed to give BIs sufficient legal status, define their activities, and provide state support and certain privileges.

2.2. Organizational & legal forms/aspects.

Those forms are largely chosen for BIs as legal entities on the basis of the following factors:

External: cost and duration of registration process; the degree to which local administrations support this or that type of BI; the availability of outside investors.

Internal: goals set by organizers; number of participants; financial capacity.

Our assessment shows the most typical forms are:

commercial BIs are mostly limited liability companies (Ltd), additional liability companies, open/closed stock companies, unitary state /municipal enterprises based on the right to engage in economic performance;

nonprofit BIs are mostly public associations, institutions, funds, unions, autonomous organizations etc. in accordance with provisions of the Russian law.

BIs as commercial organizations

BIs as limited liability companies (Ltd) are instituted by one or several persons. Ltd's authorized stock is divided into shares strictly defined by the founders' documents. Ltd participants' contributions add up to one share or their divisible whole number. Participants aren't held responsible for Ltd's losses and have only their own contributions at stake in such an eventuality. As to the BI's founders, who may not have fully paid their contributions, they share joint liability with their Ltd within the framework of the nonpaid part of their contributes.

Ltd's registration is carried out on the basis of the founders' contract and charter. Ltd's financial activities are determined by the company's authorized stock made up by the founders' contributions. The latter are all equal - nobody in particular is authorized by law to run the company. Ltd's governing body is the general meeting empowered to issue local normative acts regulating intraincubative relations, as well as take decisions on individual managerial cases. (See RF Civil Code, art. 87-94, and the Law on limited liability companies.)

A BI may also exist in the form of an additional liability company, the difference from the preceding one being the degree of responsibility on the part of the founders. In the latter case they pledge not only their contributions to the authorized stock but other property in uniformly divisible proportion to the value of their contributions. In the event of bankruptcy of one of the participants his/her liability is distributed among the rest of the participants in proportion to their respective contributions. So far this type of company has not been too popular with us.

A BI may also exist in the form of an open/closed stock company (SC) whose authorized stock is split into a certain number of shares, with the founders not held responsible for liabilities and running the risk involved in the company's poor showing only within the limits of the shares bought.

BIs in the form of an open SC are authorized to hold public subscriptions to their shares, with stockholders allowed to have their shares alienated without getting the go-ahead from the rest of the stockholders.

As for closed SCs, stocks are split among a narrow circle of people. The company's supreme governing body is the general meeting of its shareholders (See RF Civil Code, art. 96-104, and the Law on stock companies.)

One example of an open SC is the BI of S Ordzhonikidze machine-tool plant, Moscow. Samarsky innovation BI, Samara, is an example of a closed SC.

A BI functioning as a unitary enterprise is a commercial organization with no right to own the property the owner might have handed over to it. In other words, such a BI bases its activities around somebody else's (state or municipal as the case may be) property, not its own. As a unitary enterprise such a BI, empowered to do business, is instituted by a competent state/local government body. To be able to function it needs property - authorized stock - provided at the expense of state/local government budget (See RF Civil Code, art. 113-114, and the Law on state & municipal unitary enterprises.)

Two examples of the latter are both structural subdivisions. The first BI is part of the Nizhny Novgorod state technological university; the other, in Obninsk, belongs to the Educational/business Center of the Morozov project, Franco-Russian Institute of Business administration.

BIs as nonprofit organizations

Such a public BI, as a legal entity, may be instituted by citizens united in a manner stipulated by law on the basis of their common interests to advance spiritual or other nonmaterial values (RF Civil Code, art. 117, and the Law on public associations.)

A BI may exist in the form of an institution set up to carry out noncommercial functions (administrative, socio-cultural, etc.), financed by the owner either partially or completely. These institutions may represent any type of property, thus belonging either to the state or to a private owner.

State ownership for those nonprofit BIs is most common. As to their legal capacity, they differ from other institutions in that many of those are empowered to be

involved in matters of state administration, with this side of their activities not being regulated by civil laws.

Two examples of the above are: Volkhov's International educational BI; Ulyanovsk's BINK BI.

A BI existing in the form of a fund, based on participants' membership, is not meant to be engaged in any kind of entrepreneurial activity. The fund is the legal owner of its property to which none of its members can claim their right (See par. 3, art. 48 and par. 4, art. 213, RF Civil Code.) The fund and its members do not have mutual responsibility as to each other's debts or obligations. The fund, according to its status, is to solely pursue social, charitable, cultural, educational, and other socially useful goals. A special Trusteeship board is to supervise the fund's activities, with annual public reports required on activities involving property-related matters concerning the area strictly defined by the fund's goals.

As to the fund's property, it's made up of its founders' (members') contributions, charitable donations, and donations from individuals. Having neither any fixed membership (i.e. no regular membership fees) nor regular income sources, the fund is entitled by law to engage in entrepreneurship - directly or via business societies set up with its participation, sometimes even being the only participant (i.e. having 100% of the authorized stock.)

That activity, however, including business societies, is to be limited to the fund's original goals (par. 2, art. 118, RF Civil Code), which means it should fully conform to the fund's socially useful aims and contribute to the achievement of the latter. In other words, revenues from any income-generating activities, whether direct or via its commercial structures, are to be spent solely on the goals put forward in the fund's charter and not distributed among its members.

Soprichastnost(Participation) Fund, Rostov-on-the-Don's BI
Sozidaniye(Creation) Economic Development Fund, Zelenograd's BI

Another type of a nonprofit BI is an association/union which is dealt with in the RF Civil Code (par. 1, art. 121) as a partnership of legal entities.

Its goal is being a coordinator of the activities its members are carrying on, while presenting and protecting common property interests. The legal entities, members of an association/union, preserve their independent legal status, their partnership based entirely on voluntary grounds (independence in determining the nature of their partnership and running its affairs.)

It is necessary to distinguish between an association and a union of legal entities although, by law, the two are made equal as it were. An association, in strict terms, groups together legal persons engaged in the same type of activity and is therefore based on the principle of belonging to one and the same branch or organizational community. A union, on the other hand, groups legal entities to achieve some joint goals and is generally based on territorial and other similar grounds.

The activities of associations/unions, as defined by law, rule out the necessity of engaging in entrepreneurship on a regular basis (art. 50 of RF Civil Code.) They themselves are not entitled to derive profits from their activities, which means such partnerships have to be largely financed by their members. RF Civil Code's norm (stipulated by art. 121, part 1) is unequivocal in that a partnership is a nonprofit organization, i.e. the participants of an association/union have no right to declare

otherwise in the charter documents upon its creation. Once a necessity for entrepreneurial activities arises later on the association/union can be changed to a commercial organization. Voronezh's BI Association may serve as an example.

The existing laws make possible other types of BIs although they may be less common. A BI can thus be in the form of an autonomous nonprofit organization.

Orehovo-Zuevo's Partnership BI.

Novosibirsk Innovation/technology scientific/technological Ctr., Novosibirsk.

On balance, Russia's BIs at present are characterized by a multitude of their organizational/legal forms, concrete local conditions determining the choice of that form.

2.3. BI's founders in Russia.

As far as this country goes, a BI founder is a "person taking part in the creation of a legal entity's property and having an obligation towards that legal entity or material rights in claiming its property". (RF Civil Code. Chapter 4. Legal entities.)

The founders of a BI in the form of a state/municipal unitary enterprise can have legal claims on its property or have other material rights to the latter.

The founders of BIs in the form of various public organizations, such as funds, associations (unions) do not have any property rights (Voronezh BI Association.)

Regional state structures are entitled to be one of the founders of a BI.

Thus Ulyanovsk's BINK BI was instituted by Ulyanovsk Sociobusiness ctr. (state-run institution) which, in its own turn, had been set up in 1995 by the Ulyanovsk Oblast Department of federal employment service.

Orehovo-Zuevo's Partnership BI was instituted by that town's sociobusiness ctr. set up earlier with the support of the Moscow oblast employment ctr.

Among the allies of a newly established BI one may find regional small business support funds.

One example is Nizhny Novgorod's House of small business founded by Nizhegorodsky Oblast small business support Fund

Hence, as our research helped establish, a variety of BI founders exists in today's Russia, including educational, local self-government, local employment offices, as well as private structures, funds, and other organizations.

Chapter 3.

BI's ADMINISTRATIVE/FINANCIAL STRUCTURE

Competent running of BI's finances, well thought-out types of its relationship with the tenants, an expanded logistics base, improved administrative structure, and a higher level of personnel's professionalism are all factors making the work of a given BI more efficient.

3.1. Assessment of BI's financial performance.

Such an assessment can be made after carefully analyzing all types of BI's balance and accounting reports.

Table 1.

Basic financial documents.

| | |
|-----------------------------|---|
| Balance | Reflects BI's financial standing at a given moment |
| Report on revenues/expenses | Report made to show results of BI's fin. performance & give management info vitally needed to run business |
| Report on money flows | It enables management to get info on money flows to make it aware of current state of finance; drawn up to compare real monthly income with estimates |

The structure of revenues/expenses is presented as follows.

BI's revenues cover:

- sponsorial dues paid by founding member and other organizations & structures;
- state financing;
- interest on loans granted earlier;
- leasing revenues;
- rent paid by small business;
- payments for BI's educational & consulting services;
- payments for office services rendered to small businesses;
- tenants' payments for utilities and communication services;
- other kinds of revenues.

BI's expenditures cover the following areas:

- salaries for employees;
- wage bill extra charges;
- expenses on buying furniture, computers, and other office equipment;
- per diem expenses;
- payments for communication services;
- contract expenses (payments to facilitators, consultants, auditors, lawyers, notaries public, etc.);
- rent & utility payments;
- maintenance costs (repairs);
- office expenses (holding exhibits, conferences; security; advertising; maintenance/repairs of technology; banking charges; computer software;
- postal charges; buying books & training appliances; office stationary);
- paying taxes;
- other expenses.

Table 2.

Volkhov's BI: revenues/expenses structure, Jan. - June, 1998

| Revenues/expense items | share (%) of sum total |
|---------------------------|--------------------------|
| TOTAL REVENUES | 100 |
| including: | |
| USAID grant | 72.6 |
| Leasing interest | 17.2 |
| Office services | 1.5 |
| Rent | 3.4 |
| Training | 5.3 |
| TOTAL EXPENSES, | 100 |
| Including: | |
| Payroll | 51.0 |
| Wage bill extra charges | 19.4 |
| Per diem expenses | 1.1 |
| Telephone bills | 5.1 |
| Contract payments, incl. | 5.8 |
| -consultants/facilitators | 2.4 |
| -audit | 2.7 |
| -lawyer/notary public | 0.7 |
| Building repairs | 0.3 |
| Office maintenance | 16.8 |
| Taxes | 0.1 |

Table 3.

Revenues/expenses structure of Nizhny Novgorod's BI of Vozmozhnosty dlya Vsekh

(Opportunity for all) NGO (1-st quarter, 1998)

| Revenues/expense | items proportion (%) of sum total |
|--|-------------------------------------|
| TOTAL REVENUES, | 100 |
| Includ.: | |
| Grants | 33.5 |
| Interest on loans | 27.6 |
| Leasing interest | 5.2 |
| Rent | 10.1 |
| Training | 9.6 |
| Bank interest | 1.1 |
| Utilities | 6.6 |
| Membership fees | 0.2 |
| Other revenues | 6.3 |
| TOTAL EXPENSES, | 100 |
| Includ.: | |
| Payroll | 24.9 |
| Payroll -fund extra charges | 9.8 |
| Computers | 0.8 |
| Per diem expenses (local business trips) | 3.3 |
| Printing/copying | 0.04 |
| Postal/messenger services | 0.1 |
| Phone/fax | 5.3 |
| Rent & utilities | 1.9 |
| Miscellany | 5.2 |
| Training | 0.7 |

| | |
|-------------------------|------|
| Banking commission | 0.5 |
| Maintenance of premises | 0.5 |
| Professional services | 0.1 |
| Estimated nonpayments | 16.8 |
| Written-off loans | 19.3 |
| Interest on credits | 1.1 |
| Other taxes | 9.6 |

Possible sources of funding supplementing BI's revenues may be: Russian Federation's budget appropriations as part of programs in support of innovation activity; local budgets' appropriations; funding by foreign foundations and organizations; domestic and foreign investors' contributions; and revenues from BIs' own business activity.

Each source of funding calls for painstaking individual approach, including the compilation of documentation needed to substantiate the relevance and potentialities of a given project, making the necessary contacts, etc.

Assessing the activities of Russian BIs on attracting finances our research has led us to the following generalizations.

The initial 'push' and support in making a given BI project get off to a flying start may come from foreign participants. To attract organizations from abroad, however, means solving many problems, which is not to discourage BIs from getting foreign financial aid with wide prospects it opens up.

To choose the right partner and distribute finances is a decisive factor to ensure a project's success.

At present a BI in Russia is a structure involving more expenses than the revenues it brings. Bearing in mind that BIs are instruments for boosting regional economies local self-governments would be wise to help BIs look for financial sources. They could do that by including projects to set up BIs in relevant federal and regional small business support programs.

Local administrations in a number of regions have already been helping BIs along these lines. (See Chap. 6 for more details)

BIs themselves, it stands to reason, are to seek new financial sources, developing their own business above all. That may include renting or selling some of the resources that haven't been fully utilized, e. g. office space, equipment, and the expertise of the personnel (BIs may rent to outsiders a conference hall or some special kind of equipment.) In the event that a given BI has staff professional consultants the latter may, upon permission from their management, act as consultants for non-tenant companies. Their payments should necessarily include fees for the incubator.

Another source to raise BI's income may be various seminars, training courses, etc. upon request from various organizations with interests in a given field.

A quarterly report (1-st quarter, 1998) of Nizhny Novgorod's Opportunity for All BI offers the following revenues structure.

| | |
|-------------------|-------|
| Total revenues | 100% |
| interest on loans | 27.5% |
| rent | 10.1% |

| | |
|------------------|------|
| training | 9.6% |
| leasing interest | 5.2% |

Indexes of revenues structure characterizing Volkhov BI's own activity (first six mo., 1998):

| | |
|------------------|-------|
| Total revenues | 100% |
| leasing interest | 17.2% |
| training | 5.4% |
| rent | 3.4% |
| office services | 1.5% |

Income from credit activities constitutes the biggest share in revenues structure.

Another source of BI's revenues may be individual shares of its own capital invested in small-business tenants.

Moscow's International technology BI.
Orekhovo-Zuevo's Partnership BI.

One should also remember that prior to taking a decision on individual shares of its own capital invested in tenant small business the BI in question is to consider all the legal aspects of such a step. Whether it's legitimate or not will largely depend on BI's organizational/legal form, as well as that of the founding member organizations.

3.2. BI's interaction with tenants: organizational/financial directions.

There are several such directions practiced in the world regulating this interaction.

State financial support rendered freely.

An entrepreneur with innovation business ideas takes part in a contest and is qualified, as a winner, to get to a state-run BI which gives him/her, free of charge, a range of services under the contract. After the entrepreneur reaches the level of complete business independence and is able to create new jobs at his/her workplace he or she is to leave the BI which has made that possible. For the success of such a program there should be a source of free financing readily available.

Because of current economic hardships and the country's budget deficit making it difficult to help small business this option in fact is not applicable in Russia.

Free support by commercial structures.

Regionally, small business may get its support from commercial structures which divert some of the profits made elsewhere to this end. As to small businesses, this scheme is completely analogous to the previous one. As for commercial structures, such an option is worthwhile in the event this support might qualify them for tax privileges, preferential crediting, etc., as practiced in the developed countries. Such a scheme isn't applicable in Russia, however, both on account of commercial structures, not yet prepared to engage in similar practice, and lack of legislation guaranteeing the system of benefits mentioned above.

Venture nurturing of business projects.

A commercial BI is basically an investment/holding company engaged in venture operations to set up small enterprises. A BI recruits its tenants on the condition it will hold controlling interest in the tenant companies in exchange for most favorable terms of creative work during the formative stage those companies will go through. As they reach the age of maturity, however, the tenants can leave their BI and redeem the controlling interest.

For this scheme to be implemented, certain conditions should be met, e.g. there must be one or several founders with sufficient start-up capital and a desire to work in the holding with their project on the part of entrepreneurs.

This mutually beneficial version combining the incubation of small enterprises and venture nurturing of business projects is on the rise in the US with its technoparks. As far as Russia goes, there's little hope it will take root what with venture and investment funds being in a nascent stage and can hardly afford long-term crediting.

Compensatory support of small business.

An entrepreneur turning to a BI to get initial support to start his own business is allowed, during the period of tenancy, to pay in part for the services rendered, with the rest paid for, upon or after departure, according to a contract signed with the incubator. It is a kind of instalment-plan support.

As far as the state is concerned, it can achieve its goal of boosting small business, creating new jobs, etc. without the same degree of risk taken under the preceding version (at least it breaks even on what it invested in a BI.) As to the entrepreneur, he or she is still able to keep his/her business under control; while remaining the company's full owner the entrepreneur gets certain privileges and trusteeship at the start when both are crucial.

Our research has confirmed that the above scheme of BI-tenant company (small enterprise) interaction is the most applicable one in Russia.

3.3. Current state of BI's logistics.

What is meant by BI's logistics (or material/technical base) is a set of objects and means of labor which come under the category of durable goods. A BI may own houses/buildings, equipment, transportation means, products and goods, monetary means, and other types of property, as well as nonmaterial means in accordance with the goals a given BI seeks to achieve.

The assets (material/technical base) of a 'classic' BI include production, office, and other premises; office and other types of technical equipment; transportation means, other kinds of property needed for the tenant companies to function in a normal way.

Novosibirsk innovation/technology Ctr (ITC): total floor space - 16,000 sq. m., common-use space including exhibition, computer, and conference halls, special room for negotiations, a hall, a cafe, and a shop. Plans for the future include a gym with simulators and a barbershop. There's a parking lot in front of the ITC. Its office has state-of-the-art equipment (calculators, staplers, and other devices.) and software. Some of the ITC premises are being currently remodeled in the best European repair standards.

BI's assets are formed via the founders' contributions, as well as those by both legal persons and individuals, foreigners included; income from BI's own activities; appropriations from federal and local budgets to achieve the goals specified.

BI's material/technical base may include the assets of the tenant companies and organizations, as well as those of other companies and organizations - in proportion to BI's individual share.

In assessing the general state of BI's assets (material/technical base) it is important to analyze the system of property relationship between the incubator and the tenant company.

There exists a precise agreement on responsibility for (floor) space maintenance between the lessor (BI) and lessee (tenant company/small enterprise.)

It stands to reason the BI is responsible to the tenant company for maintenance services in the entire building and common-use floorage inside that building. The BI undertakes capital repairs, on a contract basis, of the premises occupied by the tenant.

On the other hand, the tenant (small enterprise) takes upon itself to keep the premises occupied in order, as required by sanitation and fire-safety norms, making current repairs on time. The tenant company has no right to sublet the premises it was given without getting the go-ahead from the BI's management.

It is only after coming to an agreement with their BI that tenant companies are allowed to change the way their premises are being used, to remodel them, install new equipment or change water supply lines, thermo-, and electric communications. When the tenant's contract is canceled all the improvements made by him/her on the premises are to remain the property of the BI if their removal is likely to do irreparable damage to those premises. All expenses involved in remodeling and current repairs of the premises are covered by the tenant.

The state, size, and quality of a BI's logistics base is determined by the incubator's finances and directly impacts the success of its performance.

3.4. BIs - administration & personnel.

BI's personnel structure depends on the organization's tasks and goals.

As to the kind of demands its personnel should meet, they vary with the goals pursued, services rendered, and the means BI's founding member organizations have at their disposal. One cannot therefore speak of a uniform staff structure for each and every BI. It is only some key posts that are possible to single out, giving job description for the employees who fill them.

Table 4.

Key posts and job description for BI's employees.

| Post | Job description |
|------------|---|
| Director | arranges personnel's work, supervises selection of personnel, rendering of services, sees to it that Board of Trustees function smoothly, ensures contacts with agencies outside the BI (banks, executive bodies, etc.), keeps budget under control, looks for new funding areas. |
| Accountant | is in charge of accounting reports for BI as a whole, does accounting for BI tenant companies (if they ask for it), sees to it that balance accounts be |

| | |
|-------------------|--|
| | squared with legal entities and individuals. |
| Technical manager | handles administrative/economic matters in office, ensures functioning of communication system. |
| Project manager | organizes marketing research, arranges BI's PR campaigns, considers applications from potential tenants and analyzes their business plans, arranges consulting services for tenant small enterprises |
| Secretary | Clerical work/business correspondence, processing of information/communication materials |

Organizational structure of Novosibirsk innovation/technology ctr (Novosibirsk):

- general dept. (office) - aide/adviser to CEO, translator, personnel inspector;
 - leasing service section;
 - financial/economic section: accountant and expert on financial/economic planning;
 - consulting group;
 - technical maintenance service;
 - engineering maintenance service.
-

Policy on personnel largely depends on organizations' finances.

Nizhny Novgorod Opportunity For All BI's administrative structure is built on a strictly hierarchical principle. BI's Trusteeship Board comes up with a candidate's name for the post of director, as well as the names of program directors under him. The BI itself is run by the group of ten employees (director, business manager, manager, accountant, and technical personnel.) BI's administration pays special attention to personnel selection: technical personnel involved in project management is noted for its high level of reliability.

Orekhovo-Zuevo Partnership BI's personnel numbers 9 people (business manager, accountant, administrator, technical employees.) To be taken on, would-be employees first have to take part in a contest.

The employees of Nizhny Novgorod's House of small business comprise 6 people (director, business manager, lawyer, office manager, chief accountant, accountant.) Here, too, a contest basis for personnel selection is being practiced.

Volkhov's BI numbers 11 people. The following criteria of personnel selection are applied: education, winning in a contest, level of professionalism, recommendations submitted, personal qualities (creative approach, honesty.)

Volkhov BI's administrative structure: general director; deputy director in charge of finances; deputy director in charge of training and management; deputy director on programs on support of female entrepreneurs; executive director; chief accountant; accountant; business consultant; manager, dept. of office services.

Types of personnel recruitment used by BI's administrators:

1. Outside recruitment - appeals to local population to file job applications, receipt of those applications; research on labor market conditions; info published in mass media; contacts with employment agencies and specialized consulting companies largely dealing with personnel management.

2. Leasing of personnel is one of the channels for attracting qualified employees on a contract basis for fulfilling concrete assignments.

3. Internal recruitment - filling vacancies out of those employees who already hold down a job with the BI. One of the advantages of this method is moral satisfaction on

the part of the employees who feel their potential has thus been duly appreciated. Besides, those BI's employees don't have to be readjusted to their co-workers.

To systematize the methods of capability assessment for would-be employees the following table is being used.

Table 5.

Methods of capability assessment for BI's future employees.

| Workers' capabilities | Methods of assessment |
|---|---|
| Natural gifts: intellect, reaction, etc. | Tests |
| Social communicability ability to network, social compatibility, etc. | Interactive methods: interviews discussions, business games, solution of productions problems |
| Motivation: willingness to take to achieve goals, etc. | Tests, documents, interviews, analysis of performance record |
| Personal character: readiness to work to achieve goals, etc. | Tests |
| Professional capacities | Tests, documents, character references |
| Professional experience | Tests, documents, character references |

It's important that aims and methods of personnel selection, professional and personal qualities of the candidates be clearly defined.

Assessment of the candidate's general qualities includes his or her qualification, personal traits, education, professional skills, past experience, compatibility with the colleagues.

Assessment of the services rendered to its tenants by Novosibirsk ITC makes us conclude that intellectual potential of its employees, as well as motivation to do their level best, helped by both material and nonmaterial incentives and a chance for professional advancement, are a key factor in raising the level of those services.

ITC's employees have the experience of working in the field of production, s well as in designers' bureaux, commercial firs, and financial organizations. All of the have higher (university) education, filling their posts in accordance with past experience, educational level, and creative potential. Those ITC workers who are part of the consulting group have been professionally trained within the framework of the TACIS program, gone through a period of internship at some of Britain's innovation centers and BIs. ITC consultants are a well-knit team of experts, with their tasks and responsibilities arranged in a way which rules out any competition and encourages exchange of information and mutual aid.

The successful performance of Novosibirsk technopark's Innovation/technology ctr. is largely due to the high level of expertise and professional skills, habits of work and initiative of Sergei Semenikhin, its enterprising director.

All of the above personnel selection and assessment methods are currently used in Russian BIs, but a big role nevertheless is played by a personal approach, which is due to the specificity of the country's system of personnel selection. In the past there were so-called personnel service departments at industrial enterprises, with special cadres of professional psychologists available. BIs whose personnel, on the average, never exceeds 20 persons cannot afford to hire all those experts. BI's directors therefore take it upon themselves to play the role of the former personnel departments. That simplified selection of personnel may result in hiring insufficiently qualified employees. In such situations, as a rule, prospective BI's employees are selected on the basis of personal recommendations of colleagues, friends, relatives, etc.

The clearest indicator of the qualitative level of BI's personnel is its educational background and past work experience.

It is worth noting that a higher level of his/her staff's professionalism helps directors lower BI's expenses on inviting specialists from the outside and maximize the range of services rendered. It is not infrequent for the same BI employee to fill two or even more posts if that person happens to have professional skills in closely interlinked fields, which also makes interchangeability much easier.

BIs as a rule are a structure with a limited number of managerial personnel. That is the reason why BI's employees have to be highly qualified in several fields to be able to work in adjacent areas. It stands to reason special attention is being paid in that respect to personnel selection procedures.

Chapter 4.

BUSINESS INCUBATOR: LINES OF ACTIVITY

The list of BI activities depends on a number of factors, such as BI's goals, its branch orientation, founding organizations' resources, small business tenant companies' demands, etc. and cannot therefore be strictly regimented. In other words, the list has to be kept as flexible as possible to take into account both the clients' needs and the changing outside world.

4.1. Leasing of premises.

Leasing space is one of the widespread types of services BI offers to its tenants I support of small business. It enables BI to track down its clients' progress. In Russia, specifically, this type of service is made vital due to a number of reasons. First, a recession and curtailing of many industries have made a good deal more space available. Second, with small business in its infancy, all additional services to be rendered to an enterprise by BI are essential for successful performance.

The amount of space leased depends on the possibilities available to BI and the incubator tenant.

BI thoroughly assesses the cost of space currently available in the urban area and sets the price for one sq. m., and then defines its pricing policy vis-a-vis its would-be tenants.

The rent it charges may differ depending on: quality of office space and how that space will be used. So Volkhov's BI charges a monthly rent of 3\$ USA per one sq. m. (workshop floorage) and 4\$ USA if that space is used as an office.

A spacious office allowing for daylight is more expensive than the so-called internal one (no windows) which is partitioned out of a bigger room.

MGU's BI (Moscow) offers spacious offices to its tenants whereas Sozidaniye (Creation Zelenograd) has cubicles with glass partitions. .

BI (Vozmozhnost Dlya Vsekh or Opportunity for All Nizhny Novgorod) has at its disposal a three-story bld. with a total space of 1,400 sq. m.

The first floor is leased to enterprises having direct links with production (mini-factory producing macaroni; auto service, cafe, etc.). There is also a library on the same floor. Decoration materials used here are of medium quality. Space rented at \$2 per 1 sq. m. a mo.

The second floor is leased to offices (security agency, work-clothes firm, etc.; a classroom). The rent here is \$4 a mo. per 1 sq. m.

The third floor's interior is of top grade (high-quality decoration materials used). Space here leased to those BI managers considers its priority clients, i. e. a firm supplying computer programs for agriculture (women's small business). The rent here is \$6 a mo. per 1 sq. m.

As a rule the BI rent is way below the market price at the beginning (otherwise the whole idea of incubation has no meaning), but gradually goes up to equal the average market price and sometimes even exceed it by the time the tenant company is about to leave the incubator.

The Volkhov BI plans to conduct the following policy line of raising interest rates depending on the

period of small enterprise's 'hatching' in the incubator.

| | Production (USA./1sq. m. per mo.) | office | storehouse |
|----------|--------------------------------------|--------|------------|
| 1-st yr. | 3,2 | 3,3 | 3,5 |
| 2d yr. | 3,7 | 3,8 | 4,0 |
| 3d yr. | 4,2 | 4,3 | 4,5 |

Average period of 'hatching' at Volkhov BI equals 3 yr.

BI can also set individual rates for each of its tenants

Thus in the town of Orekhovo-Zuevo that rate is determined by a company's line of business. In the event of a trading company which naturally has a higher turnover compared to, say, a computer co. higher rates are charged.

The following services may be offered by BIs for free:

- doing capital repairs (if need be) of the premises occupied;
- providing legal address;
- cleaning-up and ensuring proper sanitation standards on the premises leased;
- cleaning-up surrounding territory;
- providing facilities for security/fire alarm systems for space rented to clients;
- providing general alarm service throughout the rented space;
- providing the services of a coordinator to receive and process all correspondence and telephone calls;
- providing technical maintenance services the building might need;
- providing consultation/information service to make the relationship between BI and its tenants more efficient;
- presentation of the client's business;

Leasing space for offices and workshops, however, isn't all the tenants want. BI managers realize full well some more space for collective use should be provided. That space should include conference halls, rooms for talks, a restaurant or cafe, rooms for relaxation or a gym, and last but not least some space for exhibitions.

Because of limited space available for leasing BI may put forward additional demands to be met by would-be tenants, besides submitting their business plans and other documentation. Those demands may be related to both regional specificity of the economic situation and the main orientation of the given BI in developing this or that dominant sector of regional economy.

Priorities in leasing services rendered by BI include: the small enterprise's work in the production sphere; innovation character of the would-be tenant company.

Nizhny Novgorod's BI also sets as one of its priorities prospects for a would-be tenant staying in touch with other tenant companies (principle of client selection based on compatibility.)

4.2. Office services rendered.

One of the prevalent types of services by BI, in addition to leasing space to tenants, is so-called office service of sufficiently high class. In each individual case that kind of service may be provided in accordance with BI's financial and technical basis. However, several vital component parts are to be mentioned here anywhere.

Above all BI's clients are to be provided with various types of communications as no business can grow without them. As a minimum, BI should have a sufficient number of telephone channels. In the event of the incoming city lines the solution of the problem is to install a mini automated telephone station (ATS) with the capacity needed by the client. In addition, BI should have fax facilities, electronic mail and, if possible, access to the Internet. All these types of communication are quite affordable to the tenant companies.

The next element of the office service is the equipment for so-called collective use. The standard set of most widely used office equipment includes a copying device of high productivity, several PCs with the state-of-the-art software, etc.

Operating the collective-use equipment may be effected in different ways. In some cases the equipment is used by the employees of the tenant firms. In other cases it's the BI's employees who run the office equipment.

BI's management may offer additional services, e. g. computer typesetting and text processing, computer graphics, etc. If need be, BI may set up a service center to cater to the clients' printing needs. That was the case with BI in Zelenograd' Technopark. Concentrating all collective-use office equipment in such a service center leads to a better quality of paper work and also make the use of the equipment more durable.

One more element of office service provided includes postal and secretarial services. Many tenant firms have their legal BI address there. Therefore the incoming and outgoing mail, as well as correspondence processing, are handled by the secretary at BI's reception desk. In practically every case the tenants may avail themselves of the shared services of a single secretary. The firms may either have the use of one of the reception's phones as their contact phone or have the firm's office telephone switched to the reception if need be.

4.3. Consulting facilities.

Consulting and education spheres are an important element of BI's activity in its support of small business as, on the one hand, that sphere doesn't involve considerable expenses. On the other hand, it may positively impact the development of a concrete type of innovation business by supplying the necessary experience and knowledge.

Consultations may be given in various ways: individually; in group form: seminars, conferences, round tables, etc.

Another example of demonstrating the importance of BI's consulting role is Volkhov. Suffice it to say as many as 2,170 people (over 800 women included.) have been consulted there. In evaluating Volkhov's results it's worth noting all consultations provided by BI for small businesses are free of charge, which is the mechanism that has been worked out there.

Among BI's consulting services to small business the most prevalent are the following:

Accounting/audit consultations.

Tenant companies might have all of their accounting handled by BI. Such a decision is guaranteed by both the highly qualified personnel and technological means, e.g. special computer software (Nizhny Novgorod's "Vozmozhnost dlya Vsekh" NGO is

one example.) Specialized outside contractors (auditor firms) are often employed to do this work. At the same time a firm like that may well be one of BI's tenants.

"MIR" BI on the territory of Moscow's S. Ordzhonikidze machine-tool plant.

Consulting clients on taxes and legal matters.

Consultations are mostly in the form of seminars.

In June 1998 Volkhov's BI held a one-day seminar for a group of 15 people on Taxes and accounting in individual entrepreneurship.

That seminar's whole point was to analyze the taxation system and prospects for its development. As a result of a lively give-and-take it became possible to compare notes in a most productive way.

A conference on the same subject may be taken as an example of consultation for small business: Volkhov's BI in collaboration with that town's mayoralty held a conference/round table between July 7 to 8, 1998. The goal of the discussion was to overcome administrative barriers between businessmen and government control agencies, create an environment conducive to the spirit of entrepreneurship, and have the town's businessmen act in unison. Taking part in the discussion were 70 people.

Consulting on how to do business.

This type of consultations is always on the mind of BI's management. In the opinion of Sergei Paskhalov, director of the Ulyanovsk Business/training ctr. (founder of Ulyanovsk's BI), a BI director should devote at least one third of his work time to carrying out this function.

Consultation on getting investments for business projects.

This kind of consultation isn't typical of BIs in developed countries. The reality of BI activities in Russia and the support of local entrepreneurship show that getting investments with the number of would-be investors extremely limited and the money market leaving much to be desired is entrepreneurs' cardinal -- and least satisfied -- demand.

Over the past few years much has been said, at all levels, of the need for such a new service as continuous, step-by-step project monitoring. It begins with training an entrepreneur and his team and turning a business idea into a business plan and goes all the way up to procuring an investment, completing the project's preliminary stages, starting production, and selling the finished product.

Here one sees a discrepancy: should or shouldn't BI have its share of its small-business tenant's profits, to be or not to be its co-owner? As we see there's definitely a need for this kind of BI's service, but as far as BIs are concerned sufficient interest can't always be observed.

This service can be provided not only by BI itself, but also through an outside firm/contractor which may render the same to a tenant company. What counts isn't who provides this service but its availability so that entrepreneurs might be able to get this service at BI any time they are in need of it.

Consultations on innovation/technological activity are provided by specialized high

tech incubators.

In the science/technology sphere The International High Tech BI (Moscow) has been a consulting branch of The Small Business Support Fund as of 1997. The Fund reimburses 50 percent of the cost of all consulting services charged by ITI.

Consultations are as follows:

1. Comprehensive expertise of innovation projects:
 - appraisal of technological level and product competitiveness (in accordance with national/domestic and world standards);
 - marketing analysis;
 - technological auditing (comprehensive evaluation of commercial value/potential of technologies being offered);
 2. Finding and utilization of intellectual property objects in the products and technologies of a given enterprise:
 - definition of patent clearance and expedience of patent protection for the enterprises' output;
 - proper registration of patent applications;
 - capitalization of intellectual property objects (price evaluation, making them part of the authorized capital, accounting and reporting, tax optimization);
 - giving rights to intellectual property (license selling, patent rights and certificates).
 3. Accounting/auditing of an innovation enterprise.
 4. Perfecting technologies used on the basis of ITI projects to raise competitiveness level.
 5. Drafting of, and recommendations on, business plan and its presentation (investment request) to obtain grants, credits, and investments.
 6. Selling products on Russian and foreign markets.
 7. Computer network installment.
 8. Information/advertising support for projects, including your site on the Internet.
 9. Multilevel educational training of innovation projects managers.
 10. Design of products/packaging.
 11. Search for strategic partners/investors.
-

Consultations on marketing/advertising.

Help on marketing may take such forms as: individual advice, holding market assessment for tenant companies' points of interest, drafting marketing plans. Not infrequently outside consultants or consulting firms are invited. A High Tech BI may effectively use university students or interns, the University being one of the Incubator's founders. For the latter, of course, market assessment may well be part of their term papers or even the graduation diploma. (St. Petersburg's State Technological University with its High Tech innovation ctr. may serve as a good example.)

Help to a small enterprise in advertising (preparation of ads, posters, booklets, folders, ads for radio and TV, etc.) and finding its image may be provided by an outside company on BI's recommendation (that co. may also be one of BI's tenants).

One such example is Nizhny Novgorod's BI where all advertising is handled by IPRIS closed stock co. (printer/wholesaler/retailer) which happens to be one of its tenants.

4.4. Training services.

Training provided for entrepreneurs is one of the most pressing needs at a time when a commercially promising idea coupled with a desire to bring it to fruition isn't enough without a sufficient volume of economic knowledge, let alone some understanding of what management and marketing, business plans and accounting are all about.

Training programs are carried out by most BIs. They are based on preliminary needs assessment drawn from questionnaires filled out by entrepreneurs or cold calling.

The experience of Russian BIs has proven, however, such training is made more valid if accompanied by consulting on concrete business situations.

One example of a BI with a specific (gender) educational line is Volkhov's BI, created at the initiative of The American & Russian Women's Alliance. Its policy is that at least 60 percent of BI's clients be women. That BI sees its educational mission in teaching business basics to able-bodied populace, supporting women entrepreneurs in creating small businesses. It's for this purpose that a so-called Women's Support Group (WSG) in the form of a permanent seminar was started in May 1996.

BI-supplied training may be conducted at daytime, in the evening hours, or as an extramural activity (correspondence courses). Types of training programs may vary in accordance with BI's dominant sphere of interest and include internship in the follow-up period.

Busy that they are, most entrepreneurs can't devote much time to their studies. It's therefore logical that BI, first, does its best to conduct its training seminars as close to the place of businessmen's workplace as possible (BI's premises are an ideal solution for the tenants.) Second, the training courses and programs are never too long or academic by nature.

Most types of educational programs, conducted by BIs, are:

- PC training, general computer knowledge included, study of integrated office packages and other applied programs, program languages, and management systems.
- personnel training for market economy, including computer-based courses on accounting, business schools, etc;
- training office personnel, secretaries and office managers incl., with multilevel training a possibility.

Together with Texas University in Austin IC-2 Institute's International High Tech BI (Moscow) has worked out and implemented a master's program of technological management, a two-year course enabling the students to receive higher education in economics.

This program, the first of its kind in Russia to teach the listener to adapt himself to fast commercialization of new technologies, has several distinctive features, such as:

- broad analysis of concrete examples of how business companies both in Russia and abroad are created and developed, opportunity for project management and running small enterprises in the course of training;
- program oriented towards managers of technological enterprise;
- students' own projects promoted to hit the Russian and world market;
- students' participation in international cooperation;
- Russian & foreign specialists invited as facilitators and consultants;
- much time devoted to self-study.

Mutual internship planned for both Russian and American students in Russia; Russian small enterprises with access to the world market are to be able to become tenants at the Texas University's High Tech BI: an office to handle this program has already been opened there.

The number of those involved in a BI educational program devoted from the BI's opportunities and necessity of small business.

Volkhov's as an educational institution helping the local population start and run their own businesses. BI has so far held 58 business seminars attended by over 1,000 people from Volkhov and the surrounding district, as well as from such towns as Kirishi, Tikhvin, Kirovsk, and Novaya Ladoga. Over 300 people have taken the course on Use of PCs, with 85 percent of the students comprised by women.

In 1997 Vozmozhnost dlya Vsekh Training Ctr (Nizhny Novgorod) trained 569 people. Out of this total, 21 were delegated by their enterprises, 231 were directed by the local employment ctr., 317 came by themselves. Genderwise, the students were predominantly female: 494 women against 75 men.

Ulyanovsk's BINK BI was able to train 589 people in business basics over 1996-1998. Out of that number, 300 were registered as private entrepreneurs. 278 people got subsidized by the local employment service (333,500 rub.) Two groups of small innovation enterprises' managers received financial support from Small Business Development Fund oriented towards science and technology. Their program was focused on Innovation Entrepreneurship. As many as 60 seminars with individual entrepreneurs (no legal entity) were conducted on proper registration of costs and revenues. 3,000 people were able to take that course.

4.5. Small business financial support: forms practiced, policies employed in BIs.

Financial support are an important part in the mechanism of stimulating small business. In the most BI credits' program are realized. It's not too difficult to track down what has happened to this or that credit, which is no small matter. BI's personnel is in a position to consult the tenants on the best use of credits received and keep the repayment of a credit under control.

The time needed to get a loan from the moment of applying to BI is determined by a would-be tenant's readiness to defend his/her business plan before BI's managers or monitors. The average period is from 2 to 3 w. up to 1-2 mo.

Nizhny Novgorod's BI managers do their level best to approach clients' problems in a comprehensive manner helping them, if need be, with working capital via "Soyuz-Vozmozhnost" consumer group which is one of BI's branches. SV loans are made possible at the expense of a stockholders' fund.

Financial aid for buying equipment has been rendered over the past three years to more than 200 businessmen and small businesses in town and the surrounding area, with about a hundred loans extended by the SV stockholders.

Leasing as a form of credit gives the following advantages to the lessee: no BI tenant is required under a contract to pay for leased property right away. That helps not only release the liquid assets of an entrepreneur but enables him to avert the risk of buying a morally and physically obsolete equipment. It is no less important that leasing doesn't make the lessee's balance structure any heavier because the equipment leased shouldn't be kept on his balance sheet.

Leasing business is all the more successful in view of tax preferences accorded, as well as legal regulation of leasing deals. A special decree by the President of the Russian Federation On development of financial leasing in investment activities officially establishes this type of entrepreneurship in Russia. RF Government's resolution #1663 of June 29, 1995 On development of leasing in investment activities has led to concrete tasks for government agencies and concrete decisions made to develop a system of privileges in leasing support.

There's a bright future in store for leasing in Russia as an effective means of financing small businesses once a number of additional laws are put into effect.

Leasing operations open up new vistas for renewal of fixed assets before small businesses without pressing for large-scale credits to buy the equipment they need and pay on an installment plan. That renewal would lead to a sharp rise in demands for their products, and stimulate production thus being an extremely significant factor in supporting and developing Russia's small businesses.

There are also other types of BI's support, such as grants and investments. Those, however, haven't proven too widespread in today's Russia. That's largely due to lack of coherent information policies on the part of the investors.

Research demonstrates that payment for financial services rendered may considerably vary. Besides, the structure of servicing the main debt and paying for services by go-betweens vary as well. Therefore an effective percent for rendering financial services may differ even more. The key factor is the question of a preferential interest rate for BI's tenants to whom credits are extended.

The experience gained in the course of implementing the above programs shows that a number of entrepreneurs, who are as a rule used to fast capital turnover (in spheres like trade or services) and sensitive to the economic situation on the market, may pay the same interest as that charged by commercial banks or even a higher one. In this case a preferential treatment is not so much the rate itself as the availability of a credit per se, how fast it may be granted, and how flexibly the question of earnest money may be settled.

Chapter 5.

POLICY OF SUPPORTING BI's TENANT COMPANIES

BI-tenant company cooperation is a durable one, its success depending on a carefully mapped-out procedure and time-tested client selection criteria.

5.1. Criteria for selecting BIs' tenant companies.

BIs' clients may be both private entrepreneurs (natural persons), who wish to start their own business, and already registered small enterprises/firms (legal persons).

BI's clients may be broken down into three groups: inside clients (active form), outside clients (associative form), one-time clients.

Table 6.

Types of BIs' clients

| Inside clients (active form) | Outside clients (associative form) | One-time clients |
|--|---|---|
| occupy space on the BI's premises | rent space outside BI's premises, while using its services | turn to BIs for one-time services, consultations or training programs |
| entitled to lower prices for services rendered | flexible tariffs & privileges system is available for large volume of services rendered | are allowed to use services if need be, enjoy preferences for large volume of services rendered |
| contract includes fixed range of services | contract payments may be immediate or transferred at mo's end | services paid for at once or based on subscription |

Inside clients/tenants enjoy the biggest advantages. As stipulated by contract, they are entitled to easy terms in rent, services, and training.

Setting up a small enterprise inside the BI is quite appealing to Russia's beginning entrepreneurs. The reason isn't far to seek as consulting is fairly new in Russia, and hiring consultants in such areas as jurisprudence, accounting, and administration is rather expensive, whereas in the BI their services are either much cheaper or provided free of charge.

Outside clients receive BI's services on a contract basis. Those clients are, as a rule, the companies which BIs did not help set up or former tenants which have already completed graduation process and are now continuing to maintain their ties with 'alma mater'. Thus BIs are in a position to provide differential services for a wide range of entrepreneurs.

BIs pay special attention to selection of inside clients (tenants), and each BI is truly unique in that respect. Mistakes in evaluating the potential of a would-be client might entail not only financial problems for, and collapse of, the tenant company but damage BI's image. Successfully developing tenant companies, on the other hand, help the development of the BI itself.

The following criteria are being used for selection of entrepreneurs and would-be tenant companies: level of commercial vitality; professionalism and entrepreneurial spirit of the team; prospects for creating new jobs; the company's field of business (depending on the type of BI, its specificity, and the needs of regional economy.)

Additional selection criteria include degree of protecting intellectual property, as well as entrepreneurs' practical and personal qualities.

The director and employees of Volkhov's BI are known to hold interviews with every entrepreneur who applies for entry. In the course of that interview they discuss the main idea of the would-be tenant company, current state of affairs, the company's prospects for development. Also considered is the company's business plan if already in existence; if need be, entrepreneurs may get experts' consulting services. Following the interview board members discuss the relevant information. Using its own marketing data BI's management may come to the conclusion the proposed business direction lacks any chance of success. If that is the case the entrepreneur may be asked to consider other business options.

St. Petersburg's Innovation apparel ctr. also practices preliminary interviews with applicants. The goal of that interview is to find out not only the educational level, qualification, and past experience of working in clothing industry, but the entrepreneur's psychological willingness to set up an independent business as small business, above all, means independent thinking and decision-making. One of the provisions of the contract the client signs stipulates that he or she take courses as part of BI's training program.

Classic-type innovation/technology BIs also take into account the question of the companies' compatibility. Some people believe two companies of the same business nature have no right to be in one BI for fear of direct competition with one another. Nevertheless, production-type BIs can, as shown by practical experience, have companies complementing each other (i.e. production of accessories for furniture fitters in Ulyanovsk's BI) or having identical business character (i.e. St.Petersburg's Innovation apparel ctr.)

It is our belief that given a wide enough market, competent strategy pursued by BI's management, and a well-developed sales network two tenant companies operating in the same line of business can work side by side without rivalry.

In selecting and evaluating a potential client by innovation/technology BIs it is often considered quite important and even obligatory to have the rights to that company's intellectual property.

Basic criteria and procedures for client selection have evolved in the course of development of Russia's BIs. That helps guarantee continuation of successful and stable performance of the BIs themselves.

5.2. Selection procedure.

Client selection procedure starts with preliminary analysis of the applications received by BIs.

An interview with a would-be client is then arranged, and his/her business plan studied. That enables BI's management to find out the following about the company:

- company's mission and goals;
- its range of goods/services;
- market potential;
- social orientation and environment awareness;

- production strategies;
- management structure and personnel;
- financial picture at the time of joining an incubator;
- prospects for company's development;
- what size of space is needed plus technical requirements to be met.

Analysis of applicant's (company/ entrepreneur) past financial record is expedient. Such analysis, above all, helps raise the efficiency level of strategic planning.

On the whole, analysis of finances, as well as strengths and potentialities of a given organization, enables BIs to have a picture of entrepreneurs' experience and ability to work in market-oriented economy.

One is recommended to bear in mind, however, that financial analysis doesn't present all of the picture as past experience often fails to be an accurate guide for the future while financial data is easy to be subjectively interpreted.

Following analysis of the interview, business plan, and documentation submitted, a commission sets to work to decide on acceptance or rejection of the applicant. That commission usually includes BI's general director, financial director, and board members (depending on BI's managerial structure.) The applicant himself is not to be present in a meeting which debates the issue of accepting the latter as a client and hence signing a contract or turning the applicant down, in which case a substantiated refusal should be formally presented.

Potential clients of Regional BI in Obninsk (Kaluga oblast) first have to go through a contest of their business plans. Based on the outcome of that contest candidates are selected to take special courses as part of Entrepreneurship & small business program. Upon graduation the students have to present a new business plan, fully in line with accepted standards. According to the results of reviewing business plans by experts the best companies are accepted as BI's tenants.

To do that, several factors are taken into account, such as financing, the payoff period, the need for voluminous and sophisticated equipment, as well as for production and administrative premises, availability of start-up capital, entrepreneurial experience, guarantors, etc.

Below you'll find a table describing the companies which have gone through the selection procedure to become Obninsk's Regional BI tenants.

Table 7.

Companies which have passed muster to become BI tenants

| # | Name of company | Basic type of activity | Director |
|----|----------------------------------|--|-----------------|
| 1. | Hand knitting school | Teaching hand knitting | R.V. Severova |
| 2. | Green world design co., Ltd | Landscaping/roll-lawn and making, office design | N.V. Poleschuk |
| 3. | Prestige co., Ltd | Rehabilitation of patients with locomotor apparatus problems | I.V. Kleschenko |
| 4. | Advertisement bank, private firm | Rendering inform. serv. to populace | I.Z. Allayarov |
| 5. | Lawyers' Bureau | Rendering legal serv. to people | I.A.Fyodorova |
| 6. | Spring-bread, partnership, Ltd | Minibakery for making bread. & bread products | T.L.Sotnikova |

5.3. BI's policy of relationship with tenants.

The choice of relationship pattern is determined by a BI's specificity: floorage available (what state it is in, how far it is located from downtown area, character of

local economy, etc.) and dominant sector it operates in.

The system of relationship with tenant companies in innovation/technology BIs depends on creating proper conditions for innovation/technology companies to start functioning and also help them implement their entrepreneurial ideas. In other words, innovation/technology BIs try to do their level best to mobilize the young companies' innovation/technology potential, set up and develop medium-size economic structures, and create new, and more efficient, forms of technological transfer and cooperation in the field of technology.

Traditionally, innovation/technology BIs and centers have among the services rendered to their tenants easy-term leasing of production space, office equipment, calculators, and means of communication, as well as providing information and consulting services, and holding exhibitions and seminars on a preferential basis. Initial examination of ideas and decision-making may be held by specialists of the companies working in the BIs.

Let us consider the work done by ILIP stock co. (St.Petersburg), an incubator for scientific/technical projects and small science-oriented companies. Its founders are: St.Petersburg's State electrotechnical university, St.Petersburg's Technical university, I.P. Pavlov St.Petersburg's Medical university, St. Petersburg's institute of precision mechanics and optics, Scientific/research institute of electromeasuring instruments (stock co.), and Shipbuilding publishers.

Representing the Fund for small business development in science and technology (Bortnik's Foundation) ILIP SC is financed by that foundation out of a ten-year interest-free credit.

The BI holds contests of scientific/technical projects to find and select the best ones to be funded.

ILIP SC plays the role of Executive directorate of the Program on small business and new economic structures support in science and scientific services rendered to the Higher School. That program is carried out by the Ministry of general and professional education and is open to small companies which are part of the university science/production training complexes.

Financial support under the above program is given in the form of an interest-free loan. A project covered by that loan is not to take more than 1 yr. to implement. Another condition for a small enterprise to be accepted is a high degree of project reliability, i. e. readiness to manufacture and sell scientific/technical products and having a university act as guarantor of the company which presents its project.

ILIP SC normally has around 10 tenant companies on its premises - all those had to go through a contest with approximately twice as many participants.

ILIP SC provides consultations in the field of business planning, marketing, intellectual property protection, money management, search for investors, project management, technological consulting, sales promotion, and information on resources for innovation activities in the area of science/technology products.

The BI also examines scientific/technical projects, evaluates business plans, project teams, and risks involved. Scientific/technical exhibitions, symposiums, seminars, and presentations are regularly held where tenant companies' accomplishments are also represented.

Training-type BIs are another option, with BI-client relations determined by the specific curricula or curriculum-related activity.

Ulyanovsk's BINK BI (limited liability co.) is attached to Ulyanovsk business/training ctr. as part of Morozov Project on the instruction of Ulyanovsk oblast chief administrator to train entrepreneurs for the oblast. BINK's charter stipulates that the incubator recruits would-be entrepreneurs out of the people currently not employed. As for training managers of small enterprises, the BI turns to persons with innovation business ideas which they would like to have implemented in order to help young

people, women, and vulnerable groups and make training facilities available in outlying rural areas of the Ulyanovsk oblast.

There are some specialized BIs which may major in supporting youth business. Interaction with tenant companies in youth-oriented BIs is determined by the specific nature of their tasks, i.e. youth business support, and dominant production sector.

The tasks of the Youth BI of Moscow's Central administrative district are as follows:

- implementation of programs for creating new jobs, employing young people in such fields as trade, public catering, industrial production, public health, innovation & scientific/technical activities, construction, etc.;
- support for, and development of, small and medium-size youth business;
- creation of some infrastructure elements of youth entrepreneurship, co-ordination of activities, exchange of experience, and setting up a network of youth entrepreneurial structures;
- support of youth-oriented policies.

Basic production tasks of youth BIs:

- development and growth of small enterprises;
- support of the youth;
- support for small youth innovation companies.

This program has the support of the Moscow City Government, the Committee on family & youth problems, Department of labor & employment, League of young entrepreneurs, and other structures.

Another type of a specialized BI is known as conversionary. Such BIs are created in regions with a large percentage of defense-industry factories. They are to help the conversion process and also help stabilize the financial/economic situation at defense-industry enterprises. The specifics of that branch of industry impact relationship with tenant companies having to deal with sensitive defense matters still demanding a special clearance.

Basic tasks of a conversion program at Krasnoyarsk BI defining its system of relations with clients include the following:

- support for conversion programs of defense-industry plants, as well as other enterprises engaged in producing general-type goods for civil consumption;
 - contest-based selection and examination of conversion projects;
 - preserving human resources and qualified personnel, as well as solving the employment problems for those working at defense enterprises involved in conversion.
-

BIs of purely production nature are oriented towards looking for their clients from among industrial personnel.

One example is Sozidaniye (Creation) Economic development fund, a BI in the town of Zelenograd.

That BI's program is targeted on support for, and development of, small and microenterprises - from the stage of their formation to that of reaching full financial independence. Under this program the tenants are given production and office space, as well as all kinds of professional services. Most of the small companies involved specialize in producing and selling foodstuffs, designing and producing electronic gadgets, as well as medical technology used for diagnostics.

A contract between BI and its tenant provides the legal basis for their relationship. It defines the rights and obligations of both parties, payments for premises and common-use space leased, services rendered, and also the time of staying at the BI for inside clients (See Appendix #6.)

As for the period the tenant remains in the incubator, it may vary because of BI's concrete targets and conditions (market orientation, financial & material/technical basis, and the nature of the project implemented.)

Innovation apparel center in St.Petersburg, for example, keeps the tenant graduation process down to 9 mo., while Soprichastnost Participation) Fund, Rostov-on-the-Don BI, has a one-year hatching period, Volkhov SUNY/AARW's BI -- from 1 up to 3 yrs, and MGU's Technopark - from 3 up to 5 yrs.

A tenant leaves BI on the condition it has accumulated enough experience and reached a high enough status to work on its own outside BI upon graduation.

A tenant company ready to leave has, as a rule, reached the age of maturity. That means the company is striving to find its niche on the market. The company's management is doing its best to promote sales, to raise the competitiveness level of the goods produced, diversify the company's activities, and increase production turnover. During this stage problems of further growth of the company are being tackled, as well as those related to broadening the scope of all auxiliary services, the sphere of influence, and lines of activity.

Upon graduation from the incubator, the former tenant company operates independently. It may stay in touch with BI, but on entirely new terms. The experience gained by Russia's BIs shows that by the time tenants leave their BI not all of them manage to attain the level sufficient for operating on their own.

Therefore BI's management, having evaluated the prospects for development of such a company, may offer further co-operation on much tougher contract terms approximating the market ones.

It is rather difficult to paint an overall picture of BI-graduate relationship. One has to bear in mind that Russia's BIs are a fairly new thing so far lacking any coherent graduation experience - they don't know how their clients, en masse, are going to perform under market conditions as tenant graduates have been few and far between.

Meanwhile, the traditions of relationship of BI's employees to tenant companies, both during the latter's work inside the incubator and after graduation, form a peculiar corporate culture of BIs and the newly created companies. That corporate culture reflects the prevailing system of relations inside BIs and enables them to maintain close business ties in the future.

Many BIs continue to provide information/consulting services to their former tenants, also helping them with advertising, legal matters, searching for sponsors, etc. Given continuation of their relationship, the graduates, in turn, help BI get new tenants, give recommendations, and share their experience with those entrepreneurs who begin working in the incubator.

St.Petersburg's Innovation apparel ctr. may be one example of the latter as here former tenants, now independent entrepreneurs, continue to make use of the incubator's services and facilities, such as sophisticated sewing machines, the city's only fashions library, and consultations by specialists.

Provided the tenant company needs state-of-the-art technology and shows good economic performance it may stay on BI's premises as a so-called anchor business.

A minibakery of Liana Borisovna Kozlova has been working in Volkhov's BI as a tenant company ever since 1996.

As it joined the incubator the company made repairs on the premises it received and had the needed equipment installed. At present, it has broadened its operations - in addition to bread and bread products it has started to produce small amounts of confectionery, macaroni, biscuits, and pizza (made to order.)

Moving out of BI's premises after graduation would have involved considerable expenses for both the lady entrepreneur and the incubator. That was the reason BI's management made up its mind to let the minibakery stay on its premises provided the leasing and other rates go up to reach the market prices.

It should be noted, however, that such cases are rather rare so the above example is more of an exception than the rule.

BI's corporate culture and the emerging image of tenant companies are influencing each other to an extent that a single image becomes prevalent in the eyes of the public (city, oblast) helping attract new business tenants to the incubator. As to the former clients, the image they began to enjoy in the incubator leads to their prestige and allows people to trust them.

Chapter 6.

REGIONAL BIs: SPECIFIC FEATURES & PERFORMANCE RESULTS

The degree of BI's efficiency at the regional level depends on the following factors: how successful small business development is in a given area; how elaborate the local private enterprises' complex support programs are; and what the region's dominant economic sector is.

6.1. BIs vis-a-vis regional governments.

Formation of a developed infrastructure of small business support is singled out as one of the main directions by the Federal Program of state support for small enterprises in the Russian Federation during 1998-1999.

To attain that goal a network of technoparks, BIs, and production/technology centers for supporting and developing small business is to be set up jointly by Russian Youth committee; Social protection Fund of Russia; Russian Chamber of trade & commerce; RF State committee on antitrust policies and new economic structures' support; Russian State committee on higher education; Management & market academy; bodies of the executive branch of Russian Federation's subjects; Russian agency of small and medium business support; and entrepreneurs' NGOs.

The brunt of that work is borne by regional power structures (local administrations.) Some of those give their full support to the emerging private enterprises and the structures created to foster their development, such as business incubators. Others, however, are quite passive on that score.

Meanwhile, it stands to reason that the attitude taken by local administrations towards developing small business determines the success of BIs' activities. This factor is seriously considered by those who start new BIs when choosing their future location.

Our research has helped come up with a rough classification of Russia's regions from the point of view of their favorable approach towards creation of local BIs. Factors taken into account include:

- local government's stand on BIs;
- attitude of the region's commercial banks to BIs;
- dominant economic sector of a given region;
- financial self-sufficiency (is that region getting a subsidy or is self-sufficient);
- are there public groups ready to come out in support of creating BIs;
- do local administrations and NGOs have access to the experience of working with small enterprises abroad;
- are high-tech plants available;
- is highly qualified personnel easy to get;
- is scientific potential available (scientific/technical centers, scientific workers);
- what is the state of transportation networks;
- what is the region's crime rate.

With these factors in mind the following types of regions may be singled out: favorable, neutral, and unfavorable.

Favorable regions - first type.

Territorially, BIs' location confirms the obvious fact, i. e. they tend to be located primarily in so-called favorable regions.

Most of Central Russia's regions (e.g. Moscow and Moscow oblast, Voronezh oblast), a number of regions in the Urals and Siberia (e.g. Sverdlovsk and Novosibirsk oblasts) are self-sufficient, have a convenient geographic position vis-a-vis basic transportation routes, possess high scientific/technical potential, have high-tech industries, highly qualified personnel and, basically, administrations eager to support the structures out to help develop small business.

Local administrations in these regions do their best to help create and develop BIs showing great interest in the success of private (small) enterprises.

The following oblast-level programs have been worked out and approved:

Complex program on development of and support for, small business in Moscow during 1998-2000.

State small business support program for Novosibirsk oblast in 1997-1998. Under this program and with the support of State Service Academy, State oblast small business encouragement fund (SOSBF) a draft decree was prepared by the oblast administration On creating a BI on the basis of a business training center.

The Sverdlovsk oblast target program On entrepreneurship and employment.

The above programs stress the need for setting up BIs as an element of private enterprise support infrastructure.

In each of the regions listed above BIs have been instituted and are known to be successfully operating (Appendices # 2, 3.)

State oblast small business support funds are directly involved in implementation of oblast-level programs. Money is specifically set aside to provide BIs with premises, operating technology, and office equipment.

Analysis of the regional small business support programs makes it possible to list the following steps by local administrations which seem to be in the offing in quite a few of those regions:

- getting new sources of funding through working out a mechanism for access to financial resources to carry out promising programs and small business regional support projects;

- getting additional nonbudgetary financial resources and channeling part of the municipal small-business credit funds to serve as guarantees for small enterprises credited by commercial banks and other financial institutions;

- seeing to it that BIs and their clients enter a contest to get orders from the state for at least 15 percent of the total value of goods produced and services rendered;

- instructing regional leasing companies to work out proposals on expanded leasing of equipment for small and medium-size enterprises, mainly via BIs, so that the latter could get equipment and real estate on lease and then, in turn, lease them to their tenant companies on easy terms;

- working out specialized programs on training managers for small enterprises in production and innovation spheres so that BIs might come under cheaper municipal specialized manager-training programs.

The latter will make it possible for BIs to have access to the cheaper municipal programs to train managers.

Successful joint work with local self-governments enables BIs to support small business much more efficiently and contribute to positive economic results and solutions of social problems, above all that of unemployment.

Complex training programs are being worked out through the joint efforts of educational regional/town centers and BI's structural subdivisions (training ctr.)

Sverdlovsk oblast program On Entrepreneurship & employment calls for Economics committees, local administrations, and educational town centers in Nizhny Tagil, Asbest, and Krasnoufimsk to set up town Centers for small business development (business incubators), for which personnel should be trained, operating technology purchased, and premises readied.

State institutions may sometimes act as BI founders.

Thus Small business support fund in Nizhegorodskaya oblast has become the founder of Nizhny Novgorod's House of small business.

Orekhovo-Zuevo Sociobusiness Ctr. (SBC), territorial and regional employment services have prepared joint programs on small business development.

A Moscow youth BI, striving to create new jobs for the young by supporting and developing youth small business in Moscow, has been set up by such Moscow executive structures, as Department of small business support, Labor & employment Department, Central administrative district prefecture, Moscow City Government and Moscow oblast Administration.

Neutral regions - second type.

As for the latter (e.g. Novgorod, Nizhny Novgorod, Kaluga, Rostov, Kemerovo, and Perm oblasts), local administrations remain inactive in helping BIs in view of the following:

- worse economic situation in the region;
- insufficient professional level of the local administration's personnel;
- lack of initiative on the part of the employees;
- lack of their understanding of the importance of the task facing them.

Nevertheless, BIs are being set up and working in those regions as well.

One example is provided by BIs in Veliky Novgorod, Barnaul, Biisk, Kemerovo, etc.

Unfavorable regions - third type.

The above regions are characterized by high crime rates, difficult financial situation, unfavorable territorial position, a negative stand taken by the local administration which has alienated itself from the issue of small business development - those are the factors making these regions adverse to BIs.

Some of the examples of the latter are Tver and Sakhalin oblasts, Sakha Republic (Yakutia), Khanty-Mansi autonomous region, and several other areas. Thus, lack of concern on the part of the local administration in Krasnoyarsk region has for two years prevented Yenisei's Siberian Alliance of small enterprises from having a law passed on small business support. Such a law would not only encourage private enterprises at regional and municipal levels but help create BIs in that vast area.

An important condition determining how successful a regional BI can be is its

relationship to commercial banks.

Nizhny Novgorod's Opportunity for All and Volkhov's BIs enjoy the benefits of a credit program implemented by the USA-Russia (TUSRIF) investment fund which operates via a network of Russian banks (Baltic bank is one of them.) The bank works directly with BIs, being in charge of selecting projects, maintaining links with the borrower, accompanying the credit, etc.

6.2. BI's impact on local economic development.

Acting within the framework of regional small business support programs BIs strive to help those clients whose activities meet the region's economic needs.

Ecofil is the name of a limited liability co., Ltd, designing and producing industrial and domestic filters, which is a successful tenant of a BI set up in Vladimir oblast on the basis of a defense plant, one of a group of military-industrial-complex enterprises, currently standing idle, with its vast potential of unique machinery and highly qualified labor force. Ecofil's products are in great demand both in the city of Vladimir and outside.

Another example of a successful BI impacting its local community is Volkhov's incubator doing its utmost to help the Oblast's farmers in view of the hard times for the country's agriculture. The tenants are making full use of the equipment leased to them by the BI.

Innovation BIs support the development of science-oriented technologies in those branches of industry which their regions are badly in need of.

While considering the question of lending its support to a given private enterprise BI's management looks to a dominant sector of the region's economy and the basic needs of the local market.

Table 8.

BI's directions of small business support in Russia's regions.

| | |
|------------------------|---|
| Moscow oblast | Instrument-making(science),purified microelectronics materials, ecology, biotechnology, analytical inst., geophysical electromagnets (Chernogolovka technopark assn. BI; Ecobiotechnopark Innovation science/technology ctr., town of Puschino) |
| St.Petersburg & oblast | Information technologies; electronic, medical and science research instruments; environment monitoring; creation of new technologies/materials; conversion; machinebuilding & machining; automation, energetics, automatic-control instruments; clothing ind.; sewage purification (ILIP CSCo's BI; St.Petersburg State technology institute's BI; Innovation apparel Ctr.) |
| Altai region | Measuring equipment, construction materials (from local environment-friendly sources), transportation (ecologically safe), environment-and-resources-friendly technologies. (Ecopark BI, Altai science/technology park at Altai State technical univ.) |
| Krasnodar region | Processing agr. produce, biotechnology, informatics, ecology. (South Russian technopark's BI, Krasnodar) |
| Krasnoyarsk region | Machinebuilding; mining & metallurgy; automatization; software; science instruments. (Siberian Technopark science/production complex, ter. branch; Krasnoyarsk Conversion Technopark fund |
| Voronezh Oblast | Science-oriented products. (Voronezh BI) |

| | |
|----------------------|--|
| Ivanovo Oblast | Electronic technology, chemical reagents and purified materials (Inatexp BI) |
| Kaluga Oblast | Instrument-making (medicine); environment protection; chemistry; biology; recycling products; computing tech. (Obninsk BI; Obninsk Ctr of natural science/tech CSCO.) |
| Kemerovo. Oblast | Processing agr. Produce; food ind.; environment (Agropark BI) |
| Kirov Oblast | Equipment for timber complex, processing ind., and energy conservation; software. (Regional science/prod. Technopark's BI at Vyatka State University) |
| Nizhny Novgorod Obl. | Information technologies; computing tech.; radio electronics; environment-&-resources-friendly tech. (Nizhny Nov. State tech. univ. BI) |
| Novosibirsk Oblast | Telecom. systems; inform. & computer tech.; new materials; state-of-the-art tech. (conversion defense plants); environment. (Novosibirsk technopark's BI; Technopark of Novosib. State Univ.'s BI at Intern. Science/technopark) |
| Perm Obl. | Powder metallurgy; machinebuilding; ecology; med. tech.; advertising; electronic instrument-making. (Uralsk BI, city of Perm) |
| Samara Obl. | Defense plants (conversion progr. support); support for private science-oriented enterprises. (Aviatechnokon Volga science technopark's BI) |
| Saratov Obl. | Ecology, instrument-making, precision med. instr., measuring tech., science instr. (Volga sci. technopark's BI; Volga-tekhnik sci. technopark's BI) |
| Sverdlovsk Obl. | Metallurgy, machinebuilding, instr.-making, med., ecol., chem., phys. (Uralsky reg. sci. technopark's BI) |
| Tomsk Obl. | Ecol., biotech., med. tech, woodworking ind., designing, construction. (Tomsk International business ctr.'s BI) |
| Tyumen Obl. | Environment-&-resources-friendly tech., instr.-making(Tyumen sci. technopark's BI) |
| Ulyanovsk Obl. | Ecol., inf. tech., telecom. systems, agr. produce processing. (Ulyanovsk technopark's BI) |
| Chelyabinsk Obl. | Machinebldg, ecol., metallurgy, constr. (South Ural BI) |

As seen from the above table, most support is lent to such directions, as ecology, production, science, and processing of agricultural produce.

BIs' activities in the regions contribute to:

- increase of domestic gross product. Growing number of small enterprises (BIs' tenant companies) leads to a bigger proportion of their products, which helps bring more commercial products to the market;
- increase in share of taxes to the oblast budget;
- development of a consumer market. Competition among small businesses engaged in the same type of activity helps improve the quality of goods/services. Desire to meet in full public needs for goods/services helps attract those small enterprises which are willing to turn out mass consumption goods in keen demand. Therefore a private enterprise can occupy a niche still remaining open;
- introduction of innovation technologies helping the growth of economic efficiency;
- income per capita growth. That growth is due to bigger salaries to employees and bigger additional resources for regional social funds.

Moscow's High Tech BI (MIT) lent its support to a small enterprise which had worked out new dressing materials highly appreciated by surgeons.

Another of its tenant companies came up with new welding and ultrasonic shock processing of welded materials technologies, now being used by gas workers and railroad builders.

One more MIT tenant company was a success with its revolutionary method of constructing membranes that allow, with no pressure available, of increased (by 60-120 times) speed of molecular filtration. That opens broad vistas for creating new types of lab equipment for biological and pharmaceutical needs, as well as industrial technology.

6. 3. BIs' social impact.

BIs' activity in support of small business leads to the following social results.

Helping the people get adjusted to new market conditions.

Getting more diversified groups of people involved in business leads to gradual adaptation to new market conditions. Politico-economic awareness of the people begins to grow.

Employment for the people, including vulnerable groups.

BIs' consistent small business support leads to an increase in the number of small enterprises. This, in turn, allows new jobs to become available to the people. As a result, unemployment problems are partly solved at the regional level.

Opportunity For All BI in Nizhny Novgorod has been able to create around 1,400 new jobs over the years of its existence.

BINK BI in Ulyanovsk has been able to have all specially trained 743 persons find jobs in 1996-1998. Table 9 cites statistical data which shows how effective BINK's training program for the unemployed has proved to be.

Table 9.

Effectiveness of BI's training program for unemployed

| | |
|---|-----|
| people who have become individual entrepreneurs | 50% |
| those who work in newly created small enterprises | 21% |
| those who were able to find a job for themselves | 29% |
| those having to turn anew to employment bureaux | 0% |

SUNY/AARW's BI in Volkhov has been able to create 224 new jobs.

Partnership BI in Orekhovo-Zuevo has a dedicated staff of people who believe that the final goal of their activity is creation of new jobs in tenant companies. So far 220 new jobs have already been created.

Creating equal business opportunities for men & women.

Unique experience gained by Volkhov's BI as a result of a special program on helping women entrepreneurs overcome gender-related obstacles makes it possible to solve one more important social problem, i.e. giving equal opportunities to both men and women in developing their business. At present 18 women entrepreneurs have either started or expanded their business, which resulted in creating 47 new jobs.

Social support for the needy.

BIs' tenant companies create new jobs with part-time employment. People have a choice of either working at home or during the time they find most convenient - in

this way BIs give them a chance for additional earnings (handicapped people, students, single mothers, and old-age pensioners).

Chapter 7.

PROSPECTS FOR DEVELOPING BIs IN RUSSIA

BIs are a relatively new phenomenon in Russia, which might be the reason why their positive potential has not been sufficiently revealed. What has so far been achieved, however, makes it possible to speak of them as an effective means of small business support.

7. 1. Building a more perfect BI model in today's Russia.

To further develop BIs a number of problems has to be solved first.

These problems may be broken down into external, i. e. depending on the state, and internal ones, i. e. depending on BIs themselves.

The first group of problems includes the following:

Insufficient legal basis

For BIs to be a success, laws and legal norms of small business support by the state have to be improved, with general principles, forms, and directions of state policy clearly defined and specified according to local conditions and peculiarities at regional levels.

Insufficient financial support

In working out financial support policies as regards small business in general and BIs in particular, more favorable conditions should be contemplated to attract private capital to invest in small business projects on a far larger scale. Funds to guarantee the safety of such investments should be set up and insurance companies involved. At the same time the most promising large-scale projects are to be selected for direct financing/crediting.

Insufficient small business production support

To solve the above problem, premises should be made available for leasing to BIs, easy terms made possible, and redeemability of real estate provided; BIs should have more opportunities for using production space which is either standing idle or not operated at full capacity.

Although the above problems can be solved solely at the federal state level BIs may contribute to the solution by displaying its own initiative..

The second group of problems includes those that BIs themselves are able to handle.

Insufficient professional level of personnel.

There is not a single higher school in the country for training BI employees. Small wonder that the first Russian BI directors got their training abroad. The knowledge received from foreign consultants, however, has to be adjusted to the concrete conditions of a given region. To solve that problem it seems advisable to use the experience gained by successful BIs to work out special curricula for higher schools in Russia itself.

Insufficient development of information environment.

Lack or inaccessibility of information sources is a serious negative factor. BIs seem unable to get the information they need on marketing (both Russian and foreign markets) and legal matters (norms and procedures regulating the activities of BIs and small enterprises, as well as registration and handing over intellectual property and technologies.)

Insufficient exchange of information inside and outside BIs definitely prevents them from comparing notes and leads to failures in their work. It stands to reason that a single data base is in order although it cannot be set up overnight. Meanwhile they have to be able to access the marketing, legal, and other specialized data bases that already exist.

Inefficiency of relying solely on BIs' own financial sources.

That is due reliance on an expenses-oriented mechanism, as well as lack of possibilities for expansion or renewal of their logistics base. BI managers should clearly expand incubator resources rather than look to sponsors for possible aid.

In this connection it is also advisable to create groups of independent small companies/organizations under the BI auspices with a view to supporting and developing the tenant companies.

Such a group may be set up on a contract basis, with BIs playing the role of a coordinator.

Moreover, BIs may delegate to this group part of their functions, namely those that deal with rendering services to tenant companies, e. g. auditing, advertising, etc.

The availability of such partnership groups helps BIs act more professional in their financial, technological, marketing, and even psychological accompaniment provided for the tenant companies.

As for financial accompaniment and control, both imply, first, analysis of the tenant's finances from the moment of applying for a loan until its repayment and, second, keeping tabs on whether that loan is being used for the purpose designated.

Technological accompaniment is meant to supplement the financial one. Our findings indicate Russian BIs' success largely depends on the quality of technological examination their experts are able to provide. The former, in turn, depends on the degree of expertise.

Marketing accompaniment includes the entire range of analytical and training measures taken to make a tenant's project a potential commercial success.. It includes estimates of future sales of goods and services, evaluation of the market's specific segments, analysis of competing products, etc. The importance of this type of support is basically due to the current practice of BI-tenant relationship showing lack of marketing strategy to be one of the main causes of failure.

Last but not least, psychological accompaniment is a relatively new progressive form of experts' evaluation which has proved particularly relevant to small and individual business. This method boils down to defining, via modern means of psychological analysis, such personal characteristics of potential clients, as sense of responsibility, seriousness of intentions, ability to keep one's promises, etc. What sometimes limits

the use of that method in Russia seems to be lack of understanding on the part of BI managers of how important the method really is.

In addition, partnership groups will make information policies more active which, in turn, will enable BIs to share positive experience gained through small business support.

7. 2. Developing incubator networks.

Our findings indicate BIs have to establish, among other things, interregional ties and spread information and special knowledge in other Russian regions. That will largely improve the quality of their activities.

Both vertical and horizontal interfacing is found desirable.

The vertical one implies the presence of a structure playing the central role of a coordinator and facilitator.

Such a central structure may generalize the successful experience gained by individual BIs and ensure its further replication. It may also pose as a representative vis-a-vis administrative and managerial structures.

The center's tasks may include the following:

- training BIs' management;
- internship for BI employees;
- preparation of manuals and other methodological materials for BI CEOs;
- intensive exchange of information and establishment of business ties between regions;
- making high tech available to other regions;
- creating a system of email information exchanges between BIs;
- linking BIs via a single computer network.

One example of vertical BI cooperation structure may be the National alliance of BIs (NABI). This nonprofit organization was set up in 1977 to lobby for Russian small business interests in government and public sectors, develop BI networks, promote their educational activity, provide them with manuals and other scientific/methodological materials, and work towards building a structure of information support for small business. There were already as many as 32 members in the Alliance by May 1, 1998.

NABI has been able to achieve the following results.

Four seminars on technologies of BI formation and two international conferences on the same subject were held. Several round table discussions with mass media representatives were arranged, as well as meetings with officials from the government and small business support institutions.

In addition, contacts have been established with BI associations from Germany, Finland, the USA, and Poland. NABI helped send Russian experts to a number of international conferences on support for private enterprises held in Germany. NABI was also instrumental in implementing an RF State entrepreneurship development committee (SCED) program. Its goal was to select model BIs and work out the best forms of small business support via a BI network. The selection was conducted on a contest basis.

Twenty-seven organizations applied to take part in the contest. Model BIs were selected in the following places: Ulyanovsk, Volkhov, Perm, Obninsk, Samara, Zelenograd, Orekhovo-Zuevo, Voronezh, and Irkutsk. A study of Russian BIs made it possible to lay down main directions of support for small enterprises via a BI network.

At present consulting services are regularly provided, with courses conducted for training BI specialists. Active interaction with Russian state and public small business support structures has been effected, participation in a number of exhibitions on entrepreneurial development arranged, and PR work conducted (newspaper articles, public appearances, presentation of manuals and program packages on running private enterprises.)

Interregional horizontal links between small business support structures, i.e. BI networks are just as important for BIs' successful performance.

For example, a Program of BINK BIs' network development began to work in 1995 following a decision taken by Morozov Project's Consultative council. The goals it pursued were as follows:

- setting up regional infrastructures of comprehensive small business support;
- perfecting selection and support mechanisms in regard to promising small enterprises;
- creation of new jobs in the field of small business;
- help in the development of small enterprises in science & technology.

Based on the above program, 12 BIs were created within the framework of Morozov Project over the past two years in such places, as: Tula, Samara, Ulyanovsk, Voronezh, Bryansk, Obninsk, Perm, Penza, Petrozavodsk, Omsk, Irkutsk, and Borovichi.

The BINK program calls for creation and support of BIs adapted to the realities of today's Russia. It treats BIs not as a structure in constant need of sponsors' nourishment but as a specific type of business.

Be that as it may, today's situation points to lack of sufficient horizontal links between BIs and other small business support structures in Russia. As for weak ties among BIs themselves, that may be explained by their youth.

A gradually widening use of PR shows it is now seen as a means of creating a more favorable environment.

PR activities help evaluate population's attitude to BIs' work, comparing their policies with public needs and making people more aware of the BI concepts.

However, many BI managers, as our analysis indicates, regard PR solely in terms of advertising, neglecting in fact all other means and possibilities opened by PR.

Meanwhile, active use of PR does open new opportunities for BIs in Russia, such as: attracting potential clients, bringing in promising business projects, broadening contacts with other small business support structures, raising BI's image in the eyes of the powers that be.

Hence, many BI problems can be solved both on the level of BIs themselves and through interfacing with each other, as well as other small business support institutions.

SUMMARY

Analysis of the work done by Russian BIs confirms their potential - hence the need for the state and future investors to pay more attention to this form of small business support.

The longer they work the more tenants BIs attract. The average number of tenant companies a BI over two years old has equals around twenty, whereas those over five years old get nearly sixty. What is even more important is that BI-supported tenants have proved their ability to work under tough economic conditions, which their first independent steps after graduation clearly demonstrate.

An important element of small business support infrastructure, BIs need to considerably expand interfacing with other entrepreneurial structures and each other.

Extension of horizontal ties and viable BI network will help build a single information service to form and regularly update a BI-related data base covering their structure, work standards, intellectual resources, implemented projects, and planned actions.

BIs' interfacing with each other, as well as other small business support structures makes it possible for many of them to provide better consulting services to their tenants, broaden the scope of other services rendered, and make their performance much more profitable through the use of combined resources.

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APPENDIX # 1

QUESTIONNAIRE**ANALYSIS OF BUSINESS INCUBATOR (BI) ACTIVITY**

1. BI's name and legal/organizational status.
2. BI's founders.
3. Address, phone, fax, E-mail, contact person.
4. General BI information:
 - date of creation;
 - mission (overriding goal);
 - methodological principles of BI development;
 - administrative structure;
 - employees (number of people, selection principles);
 - location (how far from downtown area, how close to basic transportation routes).
5. Priority business sectors supported by BI.
6. BI's main partners in small business support.
7. Premises occupied (sq. m.):
 - office space;
 - production space;
 - common-use floorage;
 - trade space;
 - storage;
 - garage.
8. BI's strategies.
9. BI's activities, incl.:
 - services rendered;
 - consulting, training programs (what sort of activity, costs involved.)
10. Planning and reporting.

11. BI's business financing components (balance sheet, financial report, business plan, feasibility study):

- financial record;
- funding sources;
- BI's self-sufficiency.

12. BI's performance:

- how many tenant companies have graduated;
- how many companies BI has been able to help;
- how many companies still exist a year after the tenant has left the incubator;
- business sector where most new jobs have been created.

13. Study of BI's premises: safety; production waste removal; measures to combat air pollution (filters, air conditioning); storage available; availability of three-phase electricity and electricity meters; running water; spur track to storehouses; degree of wear and tear; date of latest capital repairs.

14. How your premises are used:

- pricing policy in regard to leasing;
- ratio of premises utilized to total floorage available.

15. BI-tenants relationship policy:

- what selection criteria are used to accept new clients;
- average length of tenant company's stay in your BI;
- mechanisms of BI-tenant cooperation;
- general info on your tenant companies;

| # | Enterprise/ entrepreneur | Basic line of activity | Headed by: |
|---|--------------------------|------------------------|------------|
| 1 | | | |
| 2 | | | |

- general financial analysis of tenant companies.

16. BI's relationship to local administration.

17. BI's relationship to banks.

18. Relationship to other BIs.

19. Do you know if attempts have been made to use your BI as an adequate model for another BI?

20. Additional BI information. Regional specificity.

APPENDIX # 2

CONTACT INFORMATION ON SOME OF RUSSIA'S BIs

| # | Name of enterprise | Director's or contact person's first/middle/last name | Phone | email | official address |
|----|---|---|---------------------------------------|------------------------------|---|
| 1 | Base leasing co of youth BIs | Alexander Grigorievich Sopelnyak | (095)1971368, 123448, 9722717 | mlk.sag@g23.relcom.ru | Moscow, m/b 14 |
| 2. | Additional professional training inst. BINC training BI | L.V. Ufimtzeva | (81664)34429, fax 23575 | borovich@sovamsu.sov usa.com | Borovichl, Novgorod Obl. |
| 3. | Educational NGO. Business training youth Ctr.'s BI | L.D.Schwartzblat | (8332)631111, f.634055, ph/fax 623555 | sa@riac.vyatka.ru, | Vyatka, Kirov Obl. |
| 4. | Novosibirsk technopark's Innovation/tech ctr. | Sergei Petrovich Seminikhin, Valery Nikolaevich Kolesnikov (dep.) | (3832)741474, 740950, 741972, | semn@bagan.nsk.su | 630027, Novosibirsk, Obiedineniya St., 3 off. 831, 825, 826 |
| 5. | Youth business regional support Fund's BI | N.A. Nedoshivina | (3511)37723, 370843, fax 375872 | | Magnitogorsk, Chelyabinsk Obl. |
| 6. | Uralsky BI (CSCo) | V.K.Piyanitza | (3422)450397, 699935, 699346 | | Perm, Comintern St.12-25 |
| 7. | Rybinsk business Center | V.Yu.Masko,dir., I.V. Dorofeeva | (0855)522908, fax 520765 | | Rybinsk,Borodulina St.47 |
| 8. | Samara State Service Academy (SSSA)'s Innovation BI | Elena Sergeevna Radionova | (8462)3222380 | | Samara, Galaktionov St.118 |

| # | Name of enterprise | Director's or contact person's first/middle/last name | Phone | email | official address |
|-----|--|--|---|--|---|
| 9. | Saratov Oblast BI | A.V. Chernyshov | (8452)132579, 176606, f.131399,. 131393 | post@pfruc.saratov.su | Saratov, Mezhdunarodn St., 34 |
| 10. | SENATEP | V.N. Osipov | (3822)784246, 636070, | mail@senatep.ru | Sevrsk-36 (Tomsk Obl.) Kommunistichesky prospect |
| 11. | Entrepreneurs & enterprises support Soprichastnost fund | V.E. Bogoslavsky, exec. dir. | (8632)511863 | veb@icomm.ru | 344019, Rostov-on-Don, 1-st Line, 91 |
| 12. | ILIP CSCo- tech. incubator of innovation projects in sci.& tech at St. Petersburg energetics & tech state univ. (SPSETU) | N.N. Ermilov | (812)2349859 | post@ilip.ilip.etu.ru | 197022, St. Petersburg, Instrumentalnaya St., 6 |
| 13. | Innovation apparel ctr. | Kiberli Carlton, dir. Elena Nikolaevna Petrova, manager | (812)3275595, fax 3279799 | aic@neva.spb.ru | 198103, St. Pete., DrovyanayaSt.6/8 |
| 14. | Svetlana BI | | (812)2442511, 2443135, 2442506 | www.rfntr.neva.ru rfntr@rfntr.neva.ru | 194156, St.Pete, m/b 33 |
| 15. | St.Pete State Tech Univ. TVN Fund's Innov. Tech ctr. (ITC) | Vera Alekseevna Popova, exec. dir. | (812)5526976 | gondtn@delifa.net | 195251, St.Pete, Gzhatskaya St. 27 |
| 16. | International High Tech incubator (ITI) | N.M. Fonstein, exec.dir. Alexander Alexandrovich Petrunenkov | 2476207, fax 2476234 | fenix@ibti.ru | 117330, Moscow Mosfilmovskaya St. 17-B, 4th floor |

| # | Name of enterprise | Director's or contact person's first/middle/last name | Phone | email | official address |
|-----|---|---|--------------------------------|----------------------------|---|
| 17. | Volkhovsk's international educational BI | Igor Anatolievich Gruzdev | (81263)23525, 263226 | | 187400, Volkhov, Aviation St., 48 |
| 18. | Tomsk BI | S.Z.Yampolsky | (3822)413956, 419768 | | 634055, Tomsk Vershinina St., 76 |
| 19. | Obninsk BI | Vladimir Nikolaevich Sirotin | (08439)73041, 73212, fax 40888 | fridas@obninsk.ru | 249020, Obninsk, Kaluga Obl. Gurianov St.19, off.254 |
| 20. | Partnership BI | Igor Leonidovich Eryshev | (241)22590, 20009 | sbc@ozuevo.girmet.ru | 142600, Orekhovo-Zuevo, Lenin St., 105 |
| 21. | Ulyanovsk BI | Vyacheslav Vitalievich Vakhovsky | (8422)319326, fax 313258 | psg@binc.ul.ru | 432063, Ulyanovsk, Goncharov St., 36 |
| 22. | Samara BI | Vladimir Vasilievich Morozov | (8462)353450, 439175 | educen@volgacom.samar a.su | 443086, Samara, Moskovskoye Shosse, 36 |
| 23. | Voronezh.BI | Vladimir Lvovich Khatzkevich | (0732)772598 | | Voronezh, Kirova St., 4 |
| 24. | Ekaterinburg BI at Uralsky sci./technopark(STP) | Sergei Vladimirovich Gedz | (3432)448759, 440331, 441624 | | 620002, Ekaterinburg, Mira St., 19 |
| 25. | Technopark's Business Ctr. | Alexei Alexeevich Kasyanov | 9747165 | | 129223, Moscow, prospect Mira, Exhibition Ctr. (VVTz) |

| # | Name of enterprise | Director's or contact person's first/middle/last name | phone | email | official address |
|-----|--|---|--|--------------------------|--|
| 26. | Novgorod's Small business House | Oleg Alexeevich Arefiev, manager | (8312)643017, f.643019 | root@ndmb.ic.sci-nnov.ru | 603104, Nizhny Novgorod, Nartova St.6 |
| 27. | Vozmozhnost dlya Vsekh (Opportunity for All) NGO | V.T. Tagirova, exec.dir. | 522448, 522889, f.520305 | | 603600, N.Novgorod, GSP-1005, Pamir St.-11 |
| 28. | Bryansk BI | Vladimir Viktorovich Kovalevsky | (0832)746724, 163153 | | Bryansk, Stance Dimitrov Prospect, 3 |
| 29. | Penza BI | Valery Ivanovich Shvechko | (8412)635989 | apb@penza.sura.com.ru | |
| 30. | Karelia, Innovation ctr.'s BI (KICBI) | Mikhail Valerievich Zolotov Edward Einovich Kurgi, Oleg Nikolaevich Pokrovsky | (81422)79661, 73801, 72668 | | Petrozavodsk, Anokina St. 20-10 |
| 31. | Tula BI | Yuri Anatolievich Tzitko | (0872)367651, f.204903 | | Tula, Tula Obl. |
| 32. | Vladimir BI | A.N. Fomin | (0922)254236, 253552, f.254236 | | 600009, Vladimir, Ustina-Labe St., 37 |
| 33 | Orzhonikidze works' BI | Valery Anatolievich Latyshev | (095)9551414, f.9551561 9551647, 2344776 | | Moscow |

APPENDIX #3

BRIEF OUTLINE OF A FEW RUSSIAN BIs

BOROVICHI**Business Incubator**

Date of creation: 1994

BI's dominant business interests: goods & services for local populace.

Premises occupied: 1150 sq. m.

BI's basic activities: leasing office space (16-25 sq. m.); offering room for meetings and talks; communication and other office services rendered; accounting services; consultants' group services.

BI's criteria for selecting would-be tenants: approval of business plan presented by client.

Average time of tenant staying at BI: up to 3 yrs.

Number of tenant companies: over 20. Among them:

- minidairy;
- small enterprise producing air-ionizers for industrial use;
- pizzeria;
- small enterprise for production of supplementary parts for automobile trailers;
- barber shop;
- small textile enterprise (lace-making, embroidery);
- Consultant Plus network dealer;
- small enterprise (artisans' handicraft wares, etc.)

VLADIMIR**Vladimir's Innovation/technology center (VITC)**

Limited liability co., Ltd

Date of creation: 1996.

BI's founders: oblast and city governments.

Number of employees: 4 people.

VITC's dominant business interests: designing and producing electrotechnical appliances, wood-processing equipment, new instrument-making materials, construction materials, water filtration (membrane technology), infrared gas heaters, automated management systems.

Premises occupied: 3000 sq. m.

BI's dominant business interests: consulting services in the field of law, taxation, marketing, financing; leasing space, large-size and office equipment to tenant companies on easy terms; designing and putting into production new competitive and science-oriented technologies based on scientific research findings; training and retraining managerial and technical personnel.

BI's criteria for selecting would-be tenants: scientific/production orientation, company's production experience in the field of science/technology.

Current level of self-sufficiency is about 80%. Full self-sufficiency contemplated by September, 1998.

VOLKHOV

Volkhov's international BI

(Educational institution)

Date of creation: 1995.

BI's founders: AARW, Volkhov's city hall. Funded by USAID.

Number of employees: 11 people.

BI's dominant business interests: production of foodstuffs, services, trade, agriculture.

Premises occupied: 1840 sq. m.

BI's basic activities: leasing space; program of women entrepreneurs support; financing components (leasing); training program: short-term seminars, professional courses, seminars held outside the BI, consultations, office services.

BI's criteria for selecting would-be tenants:

(a) managerial personnel's skills (experience of working in a given sector of the economy, education, entrepreneurial experience, serious approach to business); (b) estimate of economic/financial performance as presented in a draft business plan; (c) enterprise's legal status (whether charter documents match the existing Russian laws: under those laws the share of state/municipal property is not to exceed 25% of the enterprise's authorized capital); (d) products & services to expand sales potential of merchandise already produced in Volkhov district; turning out new products of better quality in comparison with previous production in the district; compatibility with other products made in the BI; ecologically safe products; (e) company's need for BI's services; (f) willingness to cooperate with other BI tenants; (g) BI's managerial personnel looks forward to creating more jobs for women in Volkhov district.

Average time of tenant staying at BI: 3 yrs.

Number of tenant companies: 43.

Tenant companies leasing BI's premises:

| # | Enterprise/ entrepreneur | Basic activities | Headed by: |
|-----|---------------------------------------|--|-------------------|
| 1. | Minibakery | making bread, bread products, pizza | L.B. Kozlova |
| 2. | CHICK knitted ware Workshop | design & making knitted garments | T.A. Shitova |
| 3. | Delta-Telecom Co. Dealer sales | cellular phone services: linkage, accessories | I.V. Glukhov |
| 4. | Volkhov Telecom Limited liability Co. | installation of security alarm & audio systems | V.L. Ignatiev |
| 5 | Property assessment co. | realty evaluation, assessment of autotransp & other property | A.L. Maslov |
| 6. | Minipress | printing services (booklets, newspapers, blanks, leaflets, etc.) | G.A. Minina |
| 7 | Accounting/ auditing co. | consulting on accounting, doing accounts for small enterprises, auditing | M.Yu. Baranenkova |
| 8. | Household, gadgets repair co. | repairing refrigerators activator washing machines, vacuum cleaners | V.S. Skorodulin |
| 9. | EVE Ladies' garments workshop | making ladies' light dresses and suits, mending | E.V. Fadeeva |
| 10. | Domovoy (Goblin) Co. | office, apartments, & private home repairs & finishing | E.S. Orlova |

Number of enterprises assisted: 51

Number of new jobs created: 224

Number of BI-graduated companies: 3

Level of current self-sufficiency: 50%. The other 50% are funded by USAID grant. Full self-sufficiency anticipated by Oct. 1998.

VORONEZH**Voronezh Association's BI**

Nonprofit organization

Date of creation: 1995

Founders: Voronezh Oblast government, Voronezh State technology university, TERMITE JV, PETER the First AMB Bank, Voronezh Obl. State employment ctr., Renacord regional science coordination ctr.

BI's dominant business interests: industrial production

BI's basic activities: BI's infrastructure offers tenant companies all kinds of production services, includ. marketing, sales & supplies, automated accounting, legal help, leasing, auditing, publishing services, communication & computer services, organizational assistance, help in preparing balance sheets.

The above paid services are provided by specialized independent structures set up inside the BI.

BI's criteria for selecting would-be tenants: presenting and defending companies' business plans.

Average time of tenant staying at BI: from 6 mo. to 2 yrs.

Number of tenant companies: 40.

ZELENOGRAD

Sozidaniye (creation) economic development Fund's bi
Nonprofit organization

Date of creation: 1995.

BI's founders: Canadian MEDA assoc., Canadian Government.

Premises occupied: 1,700 sq. m.

BI's basic activities: (a) leasing production, office, auxiliary, and other space; (b) rendering consulting, financial, organizational, technical, marketing, business, and other services to region's small enterprises and individual entrepreneurs incl. those in the BI itself; (c) interfacing of private enterprises with each other and also state/municipal bodies; (d) training region's small business personnel to upgrade their professional level and teach entrepreneurial skills; (e) dissimulation of information on private enterprises; (f) rendering aid in legal and commercial protection of entrepreneurs' rights; (g) help in selecting foreign partners for region's entrepreneurs, signing international contracts, and setting up JVs.

BI's criteria for selecting would-be tenants: contest of business plans presented.

MOSCOW

International Tech Incubator (ITI)

Nonprofit organization

Date of creation: 1994

Founders: RF Government's National Economy Academy; Federal small business in science support fund; Phoenix Technology International Co. (USA). ITI's creation funded by USAID/Moscow.

BI's dominant business interests: innovation technologies.

Premises occupied: no actual premises in this case as ITI is a so-called virtual incubator.

BI's basic activities: assessment of would-be tenants' potential; marketing of new products; settlement of property-related disputes involving results of research and findings, includ. mother companies where original results were achieved; search for partners, i. e. suppliers, as well as technology or end-product consumers; help in getting orders for producing spare parts; working out business strategies and preparing business plans; search for strategic partners and investors; technical and business consulting needed for development and growth of technology-oriented business in Russia; legal, informational, and organizational transfer of technologies in license sales, foreign partners included; holding regular interregional seminars and conferences to establish personal ties between project authors and enterprises and/or investors and to upgrade the qualification level of technology companies' managers.

BI's criteria for selecting would-be tenants: compatibility in terms of nature of business and production culture; support by potential customers; enthusiasm on the part of tenants; matching strategic goals of basic production; current production record; presence of alternative suppliers and consumers; advantages of new tech/product in such areas as: price, being environment-friendly, intellectual potential; financial aspects of a given technology stage; availability of production and other personnel at the disposal of technology designers.

MOSCOW
MIR (WORLD) BI
 Nonprofit partnership

Date of creation: 1995

Number of personnel: varies with the tasks BI confronts.

BI's dominant business interests: production activities making use of PubSCo. Ordzhonikidze Works' capacity.

Premises occupied: 17.5 hectares.

BI's basic activities: creation of preferential terms to develop new and attract companies already established for cooperation and effective use of existing PubSCo Ordzhonikidze Works' resources, include.: leasing space; consulting services; offering information resources (office equipment, computers, computer networks, and data bases); help in looking for investments/credits and orders.

The following are the most promising areas: (a) cooperation with Moscow City Government's Labor & Employment Committee to implement the program encouraging former unemployed to set up small enterprises; (b) offering time-honored, relatively inexpensive, and quickly-returnable technologies to be implemented; (c) setting up a Crafts' Ctr., creating small enterprises by artisans whose handiwork is of artistic value; (d) preparing and circulating manuals and other methodological materials on the way to conduct business; (e) working out and joint implementation of programs to combat crises; (f) production and selling testers for electroacupuncture testing based on MIR BI's original Eurasia methodology.

BI's criteria for selecting would-be tenants: test-based contest selection.

Average time of tenant staying at BI: fixed individually.

Number of tenant companies: there are 80 companies on BI's premises, with 15 companies using its services on a regular basis.

Self-sufficiency: at present full self-sufficiency has been achieved.

MOSCOW

MGU's Science Park

Closed Stock Company (CSC)

Date of creation: 1991

BI's founders: M.V. Lomonosov Moscow state university (MGU); RICO venture investment company; UNISON Assoc. for cooperation with foreign countries in science, technology & education; ALCOR science/production enterprise.

BI's dominant business interests: optics and spectroscopy; new technologies in medicine; sea geology; telecommunications, scientific instrument-making, etc.

Premises occupied: 3.2 hectares.

Basic activities: leasing production, office, and auxiliary space; offering equipment (includ. office equipment); consulting services; transportation facilities; telecommunications; storage.

BI's criteria for selecting would-be tenants: Scientific Council-arranged contest.

Average time of tenant staying at BI: from 1 up to 3 yrs.

MOSCOW
Izmailovo Science Park
Limited liability co., Ltd

Date of creation: 1991.

BI's founders: Moscow energetics institute, RF Ministry of Fuel & Energetics.

BI's dominant business interests: energy transformation; energetics and natural resources; new high-tech materials; software; environmental protection.

BI's Basic activities: leasing office space; attracting investments; business planning; advertising services; communication services (phone, fax, e-mail).

In 1994 Izmailovo science park helped create an Innovation technology ctr. whose main activity is focused on designing and implementing a practical economic mechanism for state support of new independent small technology enterprises trying to sell scientific/technical findings.

NIZHNY NOVGOROD

Vozmozhnost dlya Vsekh (Opportunity for All) BI

BI has the status of NGO

Date of creation: 1994

BI's founders: Opportunity for All NGO is Opportunity International's Russian partner. It has won a special USAID's grant to promote entrepreneurship and BI's development.

Number of employees: 10 people.

BI's dominant business interests: support for small businesses regardless of their profile. Priority given rendering aid for small innovation enterprises in the production sector and service area.

Premises occupied: 1,400 sq. m.

BI's basic activities: leasing space; financial aid to small businesses (crediting, leasing, microcrediting); office services; consulting; training programs in the field of additional education in various subjects, including business basics.

BI's criteria for selecting would-be tenants: successful presentation of one's business plan before the Trusteeship Council.

Average time tenant stays at BI: 1-1.5 yrs.

List of tenant companies (lessees):

| Enterprise/ entrepreneur | Line of business | Headed by |
|---|------------------------------|------------------------------------|
| Usilenie (Reinforcement) Limited liability Co., Ltd | construction & assembly work | Nadezhda Evgenieva Yaskevich |
| E.I. Yudaeva | Cafe Laguna | Elena Iyuenalievna Yudaeva |
| V.N. Martynov | autoservice | Vladimir Nikolaevich Martynov |
| S.V. Kitavnina | minimarkets' assembly | Svetlana Vladimirovna Kitavnina |
| Pigment-Volga Limited liability partnership, Ltd. ICF | sci./tech findings | Sergei Vitalievich Golubev |
| Profi security Limited liability co. | providing security services | Farit Faritovich Hismatulin |

| | | |
|---|---|-----------------------------------|
| Closed stock co. (SCC) Promkomplekt service | sales/purchases, wholesale | Alexander Petrovich Pokusaev |
| V.V. Berezhnoy | sales/purchases | Vitaly Vladimirovich Berezhnoy |
| Tavrida Electric Limited liability Partnership, Ltd. | vacuum switches, other electric appliances in serial production | Alexei Mikhailovich Chaly |
| IPRIS Noprofit Fund, closed stock co. (NFCSC) | publishers, wholesale & retail trade | D.V. Salnikov |
| Verdict Co. | legal advice | Sergei Valentinovich Utkin |
| Vesna (Spring) Trade/production limited liability co. | sales/purchases | Alexei Anatolievich Marchenko |
| Agroinfo | software for agribusiness | Tatiana Nikolaevna Vinogradova |
| Metoxyl- Nizhny Novgorod Closed stock co. (CSC) | sales & purchases | Mikhail Serafimovich Lashmanov |
| Bristol-Meirs Squibb limited liability co., Ltd | | Nikolai Nikolaevich Kalinin |
| Solex Ltd. | wholesale trade in plant- protection chemicals | Alexander Anatolievich Gusev |

NIZHNY NOVGOROD
Nizhny Novgorod's Small Business House
 Limited liability Co., Ltd.

Date of creation: 1997

BI's Founders: Nizhny Novgorod Oblast Small Business Support Fund.

Number of employees: 6 people.

BI's dominant business interests: BI supporting any small businesses regardless of their economic profile.

Premises occupied: 3,343 sq. m. (partly under reconstruction).

BI's basic activities: BI currently in the making. As for the near future, the following activities are planned: (a) leasing production space to small enterprises involved in food industry with a right of redemption; (b) setting up an office center: leasing approx. twenty rooms as offices, secretarial services, offering office equipment, telephones and faxes, e-mail, access to Internet, legal persons' addresses; (c) setting up an exhibition ctr. : samples of locally produced merchandise exhibited, stands with a description of services offered, exhibitions of foreign entrepreneurs' products held; (d) legal advice service: help in making contracts, business consulting; (e) marketing research: market potential for relevant goods/services; (f) centralized accounting: balance sheets, proper filing of tax documentation; (g) personnel ctr. : selecting employees, testing for professional fitness, training courses needed, help to managers on running business (work with employees included).

BI's criteria for selecting would-be tenants: no hard and fast rules established.

Average time tenant stays at BI: none so far.

Self-sufficiency: 100% planned by September, 1998.

NOVOSIBIRSK

Innovation technology ctr., Novosibirsk's science technopark

Autonomous nonprofit organization

Date of creation: 1996

BI's founders: Moscow small business in science/technology development fund; Executive directorate of Novosibirsk's Sci. technopark (state-run institution); Novosibirsk oblast's science & higher education support fund; Moscow's nonprofit Innovation Agency partnership.

BI's dominant business interests: telecommunication systems, information & computer technologies; power supply, energy- and resource saving; biotechnologies based on bioengineering; new materials (ceramics & nannoceramics, superhard materials, biocompatible materials); laser technologies and instrument-making; medical and ecology-related instrument-making.

Premises occupied: 16,000 sq. m.

BI's basic activities: services rendered: leasing production & office space with infrastructure needed; communication services, access to Internet; Xerox and other office facilities -- fax, scanner, printer, etc. Consulting services: (a) financial matters (optimizing expenses; money management; business planning; attracting domestic and foreign funding sources); (b) marketing; (c) legal matters (help in setting up new enterprises; contract-making; stock ownership and dealing in securities; representing tenant companies in court; taxation; protection of intellectual property; information services.

BI's criteria for selecting would-be tenants: sci./tech orientation of tenant companies.

Number of tenant companies: 40. Among them:

- small enterprises engaged in science/technology -28;
- small enterprises in the field of service (advertising, insurance, accounting, public catering, notary public, etc.) - 7;
- other companies - 5.

Self-sufficiency: currently 30%. The rest is funded from budget appropriations.

OBNINSK

Regional BI

Nonprofit organization, subdivision at Educational business ctr under Franco-Russian
institute of business administration (FRIDAS)'s Morozov Project

Date of creation: 1995

BI's founders: FRIDAS, Kaluga's state small business development fund.

Number of employees: 3 persons on BI's staff (director, methodist, office manager).
In addition, there are groups of facilitators and consultants -- on loan from the staff of
FRIDAS and EBC.

BI's dominant business interests: management, marketing.

Premises occupied: 168 sq. m.

BI's basic activities: office services: Xerox, fax, mailbox, email, handling
incoming/outgoing correspondence; lending conference room and conference hall,
computers; secretarial service; information service; marketing & consulting (lawyer,
auditor, business expert, psychologist, business & realty assessor, help in drawing up
business plans; training in the basics of entrepreneurship & small business; business
library; access to computer training programs.

BI's criteria for selecting would-be tenants: the latter are selected on the results of
a business plans' contest to qualify for Entrepreneurship & small business program
training. Students' diploma is a new business plan in accordance with generally
accepted standards. Authors of the best b/plans are accepted as BI tenants, with due
attention paid to a number of factors, such as: funding and how fast the tenant
company is able to break even; whether or not it may need bulky and sophisticated
equipment; need for production/administrative space; availability of start-up capital;
entrepreneurial experience; availability of guarantees, etc.

Average time tenant stays at BI: not established.

BI's tenant companies (lessees):

| # | Enterprise/ entrepreneur | Basic activity | Headed by: |
|----|----------------------------------|--|-----------------|
| 1. | Hand-knitting workshop | training in hand-knitting skills | R.V. Severova |
| 2. | Green World & Design co., Ltd | landscaping/roll-lawn making, office design | N.V. Poleschuk |
| 3. | Prestige Limited liability | rehabilitation of patients with | I.V. Kleschenko |

| | | | |
|----|--------------------------------|--|----------------|
| | co., Ltd | locomotor apparatus problems | |
| 4. | Advertisement bank private co. | rendering information services to populace | I.Z. Allayarov |
| 5. | Lawyers' Bureau | rendering legal services to people | I.A. Fyodorova |
| 6. | Spring-bread artnership, Ltd | minibakery for making bread & bread products | T.L. Sotnikova |

OREKHOVO-ZUEVO

Partnership BI

Autonomous nonprofit organization

Date of creation: 1995

BI's founders: Orekhovo-Zuevo sociobusiness Ctr.

Number of employees: 9 people.

BI's dominant business interests: machinebuilding, computer manufacturing.

Premises occupied: 1,110 sq. m.

BI's basic activities: leasing equipment to entrepreneurs; leasing premises on easy terms; secretarial services; competent experts' advice; consultations on the spot; leasing office equipment and means of communication; offering the use of business libraries.

BI's criteria for selecting would-be tenants: contest of business plans presented.

Average time tenant stays at BI: not established.

BI's tenant companies (lessees):

| # | Enterprise/ entrepreneur | Basic activity | Headed by: |
|----|--|---|------------------|
| 1. | Comtrans co., Ltd | designing and putting into production new buses (environment-friendly, inexpensive) | V.I. Zhavoronkov |
| 2. | Inst. of business, law, & information technologies | teaching law | Yu.A. Evsyukova |
| 3. | PERFECTION preparatory courses | teaching foreign languages | Yu.A. Evsyukova |
| 4. | CONSULTANT Co., Ltd | computer basics, consulting services | M.I. Eryshev |
| 5. | COMPUTER WORLD, Co., Ltd. | computer maintenance office equipment repairs, information networks | M.N. Volostnov |

| | | | |
|----|--------------------|--|-----------------|
| | | assembly | |
| 6. | NAUTILUS Co., Ltd. | domestic & foreign tourism | I.E. Afanasieva |
| 7. | BUSINESSWOMAN CLUB | employment & self-employment of women via small business | K.V. Brekina |

Number of enterprises assisted by BI: 30

Number of new jobs created: 220.

Number of tenant graduates: 4

ROSTOV-ON-THE-DON

Soprachastnost (Participation) Fund

Nonprofit NGO

Date of creation: 1995

BI's founders: Scientific Ctr. for new technologies, BUFFY Co., Ltd, private citizens: V.E. Bogoslavsky, L.V. Chirkova, V.K. Oparnev, V.S. Zinoviev, A.L. Zhmudin, V.V. Kopylov, with financial support by USAID/Moscow.

Number of employees: 3 people.

BI's dominant business interests: Supports small businesses in various fields of the economy, with priority to those engaged in production per se.

Premises occupied: 812 sq. m.

BI's basic activities: leasing space to small enterprises; consulting; training; office services.

BI's criteria for selecting would-be tenants: contest of business plans presented to BI.

Average time tenant stays at BI: 1-3 yrs.

Tenant companies (lessees):

| # | Enterprise/ entrepreneur | Basic activity | Headed by: |
|----|----------------------------|-----------------------|--------------------|
| 1. | Entrepreneur | sales/purchases | I.Zh. Bakun |
| 2. | SATURN-97 | | R.V. Romanoff |
| 3. | Entrepreneur | production | M.G. Simonov |
| 4. | STYLE-M | construction, repairs | A.V. Andreev |
| 5. | Afghani Veterans' Alliance | | S.G. Strelchenko |
| 6. | Entrepreneur | sales/purchases | A.G. Vartanyan |
| 7. | CHANCE | credit consumer | S.V. Bogoslavskaya |

| | | | |
|----|--------------|-----------------|------------------|
| | | cooperative | |
| 8. | Entrepreneur | production | V.Sh. Kavtoradze |
| 9. | DON FLEET | sales/purchases | |

Number of companies assisted: 8

Number of new jobs created: 12.

Number of tenant graduates: 8

Self-sufficiency: 60%.

SAMARA

Samara Innovation BI

Closed stock company (CSC)

Date of creation: 1995.

BI's founders: Market & Management Academy (Moscow), Entrepreneurs' Revival Ctr. (Moscow), Samara oblast's employment ctr. (Samara's Training ctr.), Povolzhsky sci. technopark, Samara state aerocosmic university.

BI's dominant business interests: new technologies in various branches of the economy.

BI's basic activities: (a) setting up Training Business Ctr., training entrepreneurs for Samara region; (b) marketing research and assessing expediency of projects in a given area; (c) getting orders for organizations engaged in sci. and tech. so that their ideas, technologies, and equipment might become marketable with the help from the tenant companies; (d) testing new technologies to have them handed over (sold) to other enterprises; (e) implementing new technologies/equipment to turn out new products (products of BI's tenant companies are offered for wholesale, small-scale wholesale or retail trade; trading handled by a special enterprise within BI's structure or a subdivision).

BI's criteria for selecting would-be tenants: BI management's approval of a business plan and feasibility study presented to it.

BI's tenant companies (lessees):

| # | Enterprise/entrepreneur | Basic activity | Headed by: |
|----|-------------------------|--|-----------------|
| 1. | TzDC Co., Ltd | consulting, information service, business planning | Yu. A. Bildanov |
| 2. | BIOM Co., Ltd. | | V.S. Saveliev |
| 3. | Engineering workshop | engineering | A.I. Chalyk |

| | | | |
|----|--------------|--------------------------|--------------|
| | Co., Ltd MPP | technologies | |
| 4. | PNC Co., Ltd | engineering technologies | A.O. Novikov |

Besides the tenant companies mentioned, services were rendered to over 30 enterprises in 1998 alone.

Number of new jobs created: 8.

ST.PETERSBURG

Innovation technology ctr., Fund for restoring High-Tension Technology Bldg. and supporting electroenergetics school of St.Petersburg's State Technical University (ITC, THT Fund)

Structural subdivision, SPSTU

Date of creation: 1997

BI's founders: Small business in sci. & tech support Fund; LENENERGO public stock co. (PSC); SPSTU; HYDROELECTROMONTAGE PSC; State Leningrad atomic power station; Scientific/research institute, D.V. Efremov Academy of economy & finances.

Number of employees: 8 people.

Bi's dominant business interests: wide range of sci./tech subjects, such as designing and creation of plasma-diagnosis equipment to induct fuel into thermonuclear reactors; microwave & laser technology, systems of automated management and information-gathering; welding equipment on the basis of inverted electric current sources (for shipbuilding and other industrial plants); software (designing and maintenance).

Premises occupied: 2,500 sq. m.

BI's basic activities: tenants given phones (intercom, town), access to Internet; offering a conference hall, fax, Xerox, color scanner; information support and help in being displayed at exhibitions; consulting and other services for small enterprises and the University's subdivisions; remodeling premises according to individual requests.

BI's criteria for selecting would-be tenants: innovation orientation of small enterprises.

BI's tenant companies (lessees):

| # | Enterprise/ entrepreneur | Basic activities | Number of |
|---|--------------------------|------------------|-----------|
|---|--------------------------|------------------|-----------|

| | | | employees |
|-----|---|--|-----------|
| 1. | RAND sci./prod. assoc. | constr., reconstr., and restoration of small hydro-electric power stations, industrial and civ. bldgs, etc. | 36 |
| 2. | Applied Physics - Partnership, Ltd | scientific instrument making | 50 |
| 3. | TYPHOON, SOFTWARE Co., Ltd Santa Barbara integration Russo-Amer. JV | software designing speech-detector integration, computer telephone networks | 61 |
| 4. | Techcomplex sci/prod. assoc. | electric high-tension instrument- designing and making | 15 |
| 5. | AURA Co., Ltd. | designing radioelectronic complexes for special purposes; production, sales and maintenance of hearing aids | 8 |
| 6. | STROIBASIS Co., Ltd. | construction work | 30 |
| 7. | DOLPHY OY, Finland, subsidiary of DUSHPRODUCTER, Sweden | sanitary engineering equipment | 1 |
| 8. | FAB. sci/prod enterprise | serial production of welding equip | 31 |
| 9. | MELP Co., Ltd | ozone sterilizers, water ozonizers | 8 |
| 10. | THT Fund | reconstruction of THT bldg., support for small innovation Co., consulting services | 9 |

ST. PETERSBURG

Innovation/technology ctr., St.Petersburg's state electrotechnical institute Technopark (ITC, St.PSTU Technopark)

Date of creation: 1998

BI's founders: stockholders of ILIP holding CSC: St.PSTU; Academician I.P. Pavlov St. Petersburg state medical university; St. Petersburg precision mechanics & optics institute; Scientific Research Institute of electromeasuring instruments public stock Co. (PSC); Shipbuilding publishing house; Ctr. for encouraging sci./tech entrepreneurship in Higher School.

ITC is run by ILIP holding CSC (**I**nnovations of **L**eningrad **I**nstitutes & **P**roduction Cos.).

Number of employees: personnel of ILIP CSC.

BI's dominant business interests: sci./tech activities in the field of information technologies, electronic and sci. research instruments, medical equipment.

Premises occupied: 1,377 sq. m.

BI's basic activities: space leasing; help in sci/tech production; marketing; tech/managerial business consulting; co-operation with industrial enterprises; information/exhibition ctr. to help in sales promotion; access to computer networks, data bases; office services, leasing means of communication and office equipment; transportation services.

BI's criteria for selecting would-be tenants: projects of small stock companies active in sci. & tech are considered, provided the state owns not more than 25% of the stock.

BI's tenant companies (lessees):

| # | Enterprise/ entrepreneur | Basic activities |
|-----|---|---|
| 1. | ILIP CSC | sci/tech production (med. information/measuring and diagnostic complexes); incubator for small tenant companies and innovation projects; consulting; management |
| 2. | Northwest Branch, Ctr. for encouraging sci/tech entrepreneurship in Higher School | designing software; supplying ITC information programs |
| 3. | Medical technology Test Ctr. | testing medical technology |
| 4. | Weiss Electronic CSC | telecommunication software designing |
| 5. | St. Petersburg's Instruments CSC | electronic paramagnetic resonance apparatus (production) |
| 6. | BIOSIGNAL Partnership, Ltd | manufacturing instruments to control and analyse electrocardiograms |
| 7. | TCA Co., Ltd | measuring optic-radiation instruments |
| 8. | MEDTEKHNICA Co., Ltd | manufacture of medical instruments |
| 9. | VESSO TELECOM-ST.PETERSBURG CSC | telecommunications services |
| 10. | EUROTECH CSC | dressmaking |
| 11. | MEDICAL TECH. CTR. CSC | adjustment of imported medical technology to Russian installations |

Average time tenant stays at BI: 1 yr. or more

Self-sufficiency: planned to reach 100%.

ST.PETERSBURG

Innovation Apparel Center

Innovation Ctr. exists within the framework of the Program set up on the initiative of Civil Initiatives Center, American nonprofit organization, helped by the grants from Charles Stuart Mott private foundation and USAID/Moscow.

Date of creation: 1996

Number of employees: 10 people.

BI's dominant business interests: clothing industry.

Premises occupied: 500 sq. m.

BI's basic activities: upgrading light industry skills; teaching business basics, providing workplaces, studios, and microshops with modern equipment to small businessmen; business training courses to make private entrepreneurs able to make business plans; consulting on marketing, management, financial and legal questions, plus free seminars for beginners; information services (library on vogue, methodological manuals, access to Internet, etc.); implementation of Program on microcrediting and equipment-leasing.

BI's criteria for selecting would-be tenants: contest based on entrepreneurs' level of professional qualification; taking obligatory training courses.

Average time tenant stays at BI: 9 mo.

Number of client companies: 585

BI's tenant companies (lessees):

| | | | |
|---|--------------------------|------------------|------------|
| # | Enterprise/ entrepreneur | Basic activities | Headed by: |
|---|--------------------------|------------------|------------|

| | | | |
|-----|----------------------------------|---|-------------------|
| 1. | Entrepreneur | dresses for equestrian sport | L.N. Miloserdova |
| 2. | Entrepreneur | uniforms, youth clothes | M.V. Smorchkova |
| 3. | Entrepreneur | clothes for businesswomen (tailor-made) | N.N. Nikonova |
| 4. | Entrepreneur | haute couture collections | L.V. Vasilieva |
| 5. | Entrepreneur | collection of exclusive men's clothes | D.G. Kolosov |
| 6. | Entrepreneur | clothes made to order | L.A. Kolosova |
| 7. | Entrepreneur | dresses for short women | L.N. Matveeva |
| 8. | Entrepreneur | clothes made to order | I.V. Kondrunenko |
| 9. | DESIGN-CLUB FIRST LADY Co., Ltd. | dresses made for special occasions& for businesswomen | M.V. Kuznetzova |
| 10. | LAST Co., Ltd. | uniforms, women's dresses | A.Yu.Stadnichenko |
| 11. | Entrepreneur | making kids' clothes | K.V. Kononov |

Self-sufficiency: 27%

ULYANOVSK

Ulyanovsk's BINC BI

Limited liability Co., Ltd.

Date of creation: 1995.

BI's founders: Ulyanovsk Oblast's sociobusiness ctr.

Number of employees: 26 people (they are also on the staff of BI's founder).

BI's dominant business interests: innovation activity; technologies in the field of education.

Premises occupied: cir. 300 sq. m.

BI's basic activities: training courses for entrepreneurs; economic, legal, and technical consulting; marketing activity.

BI's criteria for selecting would-be tenants: successful defense of one's business plan.

Average time tenant stays at BI: 2.5 yrs.

Self-sufficiency: full self-sufficiency currently achieved.

LIST OF BASIC NORMATIVE ACTS ON BIs' ACTIVITIES

1. Civil Code of the Russian Federation. Federal Law of Nov. 30, 1994 (# 51-FZ).
2. On enterprises and entrepreneurial activity. RSFSR Law of Dec. 25, 1990 (#445-1).
3. On State support for small business in Russian Federation. Federal Law of June 14, 1995 (# 88-FZ).
4. On competition and limiting monopoly on commodity markets. RF Law of March 22, 1991 (# 948-1, revised and supplemented).
5. On natural monopolies. Federal Law of Aug. 17, 1995 (#190-FZ).
6. On accounting. Federal Law of Nov. 21, 1996 (#129-FZ).
7. On stock companies. Federal Law of Dec. 26, 1995 (#208-FZ).
- 8 On securities market. Federal Law of Apr. 22, 1996 (#39-FZ).
9. On Limited Liability Companies, Ltd. Federal Law of Feb. 8, 1998 (#14-FZ).
10. On nonprofit organizations. Fed. Law of Jan. 12, 1996 (#7-FZ).
11. On public associations. Fed Law of May 19, 1995 (#82-FZ).
12. On education. RF Law of July 10, 1992 (#3266-1).
13. On science & state policies in science and technology. Fed. Law of Aug. 23, 1996 (#127-FZ).
14. On insolvency (bankruptcy). Fed. Law of Jan. 8, 1998 (#6-FZ).
15. On taxation basics in Russian Federation. RF Law of Dec. 27, 1991 (#2118-1).
16. On auditing. RF Presidential Decree of Dec. 22, 1993 (#2263, Collection of Acts issues by RF President & Government, 1993, #52, art. 5069).
17. On licensing various kinds of activities. RF Government's decree of Dec. 24, 1994 (#1418)
18. On licensing activities. RF Government's decree of Dec. 24, 1994 (#1418).
19. On state registration of subjects engaged in entrepreneurial activities. RF President's Decree of July 8, 1994 (#1482).
20. On measures to ensure stockholders' rights. RF President's decree of Oct. 27, 1993 (#1769).
21. On additional measures to ensure stockholders' rights. RF President's decree of July 31, 1995 (#784).
22. On ensuring state interests in executive bodies of stock companies (business partnerships) with part of the stock (shares, deposits) reserved as state property. RF Government's decree of May 21, 1996 (#625).
23. On measures to protect stockholders' rights and ensure the interests of the state as proprietor and stockholder. RF President's Decree of Aug. 18, 1996 (#1210).

24. On reforming enterprises and other commercial organizations. RF Government's decree of Oct. 30, 1997 (#1373).
25. Concept of reforming enterprises and other commercial organizations. RF Government's decree of Oct. 30, 1997 (#1373).
26. On measures of more effective application of bankruptcy procedures. RF Government's decree of May 22, 1998 (#476).
27. On Russia's Federal Service on Insolvency & Financial Sanitation. RF Government's decree of June 1, 1998 (#537).

APPENDIX # 5**APPLICATION****to get accepted at Business Incubator**

1. Applicant: organization/entrepreneur _____
2. Charter (organizational/legal basis) _____
3. Director _____
4. Chief accountant _____
5. Date of registration _____
6. Venue of registration (of organization) _____
7. Authorized capital _____
8. Founders: _____
9. Description of activity (excerpt from Charter) _____

I (we) the undersigned confirm the above data

Signature _____

APPENDIX # 6

CONTRACT
on Business Incubator providing services for its clients

“ ”-----199...

_____, hereinafter referred to as Business Incubator (BI), in the person of _____, Executive director acting on the basis of BI's Charter on the one hand, and _____, hereinafter referred to as Client, in the person of _____, acting on the basis of _____ on the other hand, have concluded the Present Contract on the following:

1. SUBJECT OF THE CONTRACT

1.1. BI acting in accordance with the Business Support Program is to give Client the temporary ownership and use of premises located at the address: _____ with the total floorage comprising _____ sq. m. to be used as _____ and render the services listed below to ensure its proper functioning.

1.2. Contract is in effect from “__” _____ 199_ to “__” _____ 199_

2. RIGHTS AND RESPONSIBILITIES OF BOTH PARTIES

BI ensures conditions for business activities of Client in accordance with its concept and provides the following list of services:

2.1. Giving space for temporary ownership and use of without the right of purchase (premises are offered in three-days' time upon issuance of transfer deed), with Client's personnel admitted to above premises on passes issued in accordance with the workhours accepted by BI. Client's equipment to be brought in or moved out following the regulation worked out by BI.

2.2 Capital repairs wanted by Client's premises.

2.3. Providing legal address.

2.4. Cleaning of, and maintaining sanitation norms on, Client's premises.

2.5. Cleaning up territory surrounding the building.

2.6. Security and fire alarm systems functioning on Client's premises.

2.7. General-alarm-signals network on Client's premises.

2.8. Providing the services of a coordinator on receipt and processing of incoming mail and phone calls.

2.9. Overall technical maintenance of the building.

2.10. Consulting/information services to ensure most effective relationship among BI' Clients, Client's business presentation.

2.11. Providing office and other services not mentioned above requires an additional contract.

2.12. Client pledges to do the following:

2.12.1. Keep premises in order (sanitary/fire safety norms), meet the requests made by BI and official controllers in case those norms are violated.

2.12.2. Make routine repairs on time throughout his /her premises.

- 2.12.3. Not to sublet premises without written agreement from BI.
- 2.12.4. Use premises according to Present Contract and the terms specified by paragraph 1.1. Any change in the use of premises, their remodeling or re-equipment, new water/electricity/thermo facilities, etc. are to be agreed upon together with BI. In special cases relevant engineering and financial documentation is to be compiled and agreed upon in the manner established.
- 2.12.5. Not to dismantle or otherwise interfere with BI's equipment left over on Client's premises without BI's written agreement.
- 2.12.6. Upon conclusion of the Present contract submit a list (address/telephone) of those who will be put in charge of the premises' maintenance for BI to be able to get in touch with in case of emergency, such as fire/accident, etc.
- 2.13. Client may remodel/repair premises only upon getting confirmation from BI. In the event of annulment of the Present Contract all improvements made at Client's expense should remain intact if their removal does substantial damage to premises vacated as BI's property.
- 2.14. Client can place company logotypes, trademarks, signboards, etc. at locations approved by BI. Once the Present Contract is over Client has to remove the above-mentioned articles at his/her expense.
- 2.15. Client has to contribute to BI's activities to achieve a better level of cooperation between BI and Client (take part in periodic canvassing, attend tenants' meetings at BI to assess clients' needs and achieve harmonious relations.)

3. PAYMENT PROCEDURE

- 3.1 Services of BI are paid by Client. _____ on a monthly basis in ruble equivalent at the official exchange rate of CB (VAT incl.) either to BI's cashier or to BI's bank account .
Cost of services determined by total BI expenses distributed among clients in proportion to floorage occupied.
- 3.2. Client pays for all remodeling and routine repairs.
- 3.3. Payments made not later than the 5th of the cur. mo.
- 3.4. Utilities paid for according to meters installed by Client. When not available or out of order Client pays on the basis of electric capacity of the appliances installed, time of their operation, and number of workdays per month (BI makes an estimate and writes out a bill at the end of the mo.)
- 3.5. According to par. 3.1. of the Present Contract payments for services may be reconsidered by BI in view of changed economic situation - with Client being notified of the change _____ days in advance.

4. RESPONSIBILITY OF BOTH SIDES

- 4.1. If payment for services is delayed Client pays BI at the rate of 0.5 % of the debt per each day of arrears.
- 4.2. Each party has to compensate the other for the damages incurred due to fulfilling improperly (or not fulfilling at all) its obligations under the Present Contract.
- 4.3. Client responsible for disobeying the rules of technological safety, fire safety, and industrial sanitary norms.
- 4.4. With Contract time over Client pays tenfold for failing to turn over leased premises or for delaying the transfer (per each day of delay.)
- 4.5. BI makes up for the damage incurred to Client if that damage is BI's fault. In case of an accident which is not its fault BI bears no responsibility to Client.

4.6. BI entitled to hold Client's property on premises leased (it might have also been left there after Contract's termination) until Client fulfills all its obligations before BI.

5. OTHER TERMS

5.1. Client with a good record of behavior is preferred over others for a renewal of a leasing contract.

5.2. Client wishing to prolong Present Contract is to notify BI in writing ____ days ahead of time.

5.3. Contract may be abrogated earlier than specified in the following cases:

5.3.1. On mutual agreement of both parties;

5.3.2. In accordance with a decision handed down by the court of general jurisdiction, arbitration or commercial courts;

5.3.3. On the initiative of BI: if payments have been delayed for over 2 mo.;

5.3.4. If Client has repeatedly broken the terms of the Present Contract and it has been fixed in writing;

5.3.5. On the initiative of Client himself with due regard to par. 5.4.

5.4. If Contract is annulled ahead of time written notification is presented to the other party --- d. in advance.

5.5. In cases not covered by Present Contract both Parties are guided by the country's existing laws.

5.6. Disputes and differences arising from Present Contract are referred to Arbitration Court.

6. REQUISITES AND SIGNATURES OF BOTH PARTIES

| BI | Client |
|--------------------------|--------|
| _____ | _____ |
| Executive director | _____ |
| _____ | _____ |
| _____ | _____ |
| Agreed upon BI's Manager | _____ |
| _____ | _____ |